



Winnipeg Business Refer
University of Alberta
118 Business & Industry

AR56

what's at stake?

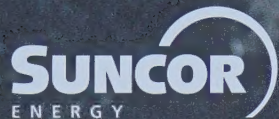
OUR JOURNEY TOWARD SUSTAINABLE DEVELOPMENT 2003 REPORT ON SUSTAINABILITY



Windsor Business Reference Library
University of Windsor
150 University Ave.
Windsor, Ontario N6A 5W1
Canada

What's at stake?

OUR JOURNEY TOWARD SUSTAINABLE DEVELOPMENT 2003 REPORT ON SUSTAINABILITY



SUNCOR ENERGY INC. is a Canadian integrated energy company strategically focused on developing one of the world's largest petroleum resource basins – Canada's Athabasca oil sands. Since 1967, when we made history by producing the world's first commercial barrel of synthetic crude oil from oil sands, Suncor has expanded our assets and expertise with new resource leases, new technologies and a vision for sustainable development.

This 2003 Report on Sustainability describes Suncor's vision of becoming a sustainable energy company and reports on our performance during 2001 and 2002. Where available, information on activities in 2003 has also been included. This report has been prepared in accordance with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Reported results are independently audited by PricewaterhouseCoopers LLP (see page 58).

COMPANY PROFILE 2 PRESIDENT'S MESSAGE 3 VISION AND STRATEGY 6
CORPORATE GOVERNANCE 8 POLICIES AND MANAGEMENT SYSTEMS 10 STAKEHOLDER RELATIONS 12

SOCIAL PERFORMANCE 17

HEALTH AND SAFETY 19 EMPLOYEE RELATIONS 22 COMMUNITY RELATIONS 25

ENVIRONMENTAL PERFORMANCE 29

AIR 31 WATER 38 LAND AND BIODIVERSITY 40

ECONOMIC PERFORMANCE 43

RESPONSIBLE GROWTH 45 RENEWABLE ENERGY 48 OPERATING PERFORMANCE 50

INTEGRATED PERFORMANCE 54

CROSS-CUTTING INDICATORS 54 SYSTEMIC INDICATORS 56

PERFORMANCE INDICATORS 57

AUDITORS' REPORT 58 AUDITORS' OBSERVATIONS 59 BOUNDARY CONDITIONS 59 SUNCOR ENERGY 60 OIL SANDS 64
NATURAL GAS AND RENEWABLE ENERGY 68 ENERGY MARKETING AND REFINING 72 SUNCOR POLICIES 76 GRI CONTENT INDEX 78

All financial information is reported in Canadian dollars unless otherwise noted. References to "Suncor" or "the company" mean Suncor Energy Inc., its subsidiaries and joint venture investments, unless the context requires otherwise. See "Boundary Conditions" on page 59. This document contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results may differ materially. See the legal notice on the inside back cover for additional information.

WHAT'S AT STAKE? OUR STAKEHOLDERS TELL US. SUNCOR WORKS WITH A LARGE AND DIVERSE GROUP OF INDIVIDUALS AND ORGANIZATIONS – STAKEHOLDERS WHO MAY BE IMPACTED BY OUR OPERATIONS OR WHO COULD, THROUGH THEIR ACTIONS, AFFECT SUNCOR. THEIR INTEREST IN OUR SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE COVERS EVERY ASPECT OF WHAT WE DO AS A COMPANY, FROM THE GOODS AND SERVICES WE ACQUIRE, TO THE PEOPLE WE EMPLOY AND THE PRODUCTS WE PRODUCE AND SELL. SO WHAT'S AT STAKE? **IN A WORD: EVERYTHING.**

...everything

PEOPLE. PUBLIC AND EMPLOYEE SAFETY. HEALTHY COMMUNITIES. EDUCATION AND TRAINING.
SHARED ENVIRONMENT. WATER RESOURCES. CLEAN AIR. HABITAT AND WILDLIFE PROTECTION.
PROSPERITY. SHAREHOLDER VALUE. JOBS. CAPITAL INVESTMENT. ECONOMIC GROWTH.
SECURE ENERGY SUPPLY. **TRANSPARENCY.** CORPORATE REPUTATION. COMPLIANCE. TRUST.

SUNCOR ENERGY INC. is a Canadian integrated energy company strategically focused on developing one of the world's largest petroleum resource basins – Canada's Athabasca oil sands. Since 1967, when we made history by producing the world's first commercial barrel of synthetic crude oil from oil sands, Suncor has expanded our assets and expertise with new resource leases, new technologies and a vision for sustainable development.

This 2003 Report on Sustainability describes Suncor's vision of becoming a sustainable energy company and reports on our performance during 2001 and 2002. Where available, information on activities in 2003 has also been included. This report has been prepared in accordance with the 2002 Sustainability Reporting Guidelines of the Global Reporting Initiative (GRI). Reported results are independently audited by PricewaterhouseCoopers LLP (see page 58).

COMPANY PROFILE 2 FINANCIAL PERFORMANCE 3 ABOUT OUR COMPANY 4

CORPORATE GOVERNANCE 5 HUMAN AND MANAGEMENT SYSTEMS 6 COMMUNITY RELATIONS 12

SOCIAL

HEALTH AND SAFETY 14 ENVIRONMENTAL PERFORMANCE 16 COMMUNITY RELATIONS 26

ENVIRONMENTAL PERFORMANCE 28

AIR 31 WATER 36 LAND AND Ecosystems 40

ECONOMIC PERFORMANCE 43

RESPONSIBLE SOURCES 46 RESPONSIBLE FINANCIAL 48 OVERALL PERFORMANCE 50

INTEGRATED PERFORMANCE 54

CRISIS-CYTING REGULATIONS 54 CRISIS-CYTING REGULATIONS 54

PERFORMANCE INDICATORS 57

AUDITORS' REPORT 58 AUDITORS' OBSERVATIONS 59 BOUNDARY CONDITIONS 59 SUNCOR ENERGY 60 OIL SANDS 64

NATURAL GAS AND RENEWABLE ENERGY 68 ENERGY MARKETING AND SERVICES 72 SUNCOR POLICIES 76 GRI CONTENT INDEX 78

All financial information is reported in Canadian dollars unless otherwise noted. References to "Suncor" or "the company" mean Suncor Energy Inc., its subsidiaries and joint venture investments, unless the context requires otherwise. See "Boundary Conditions" on page 59. This document contains forward-looking statements based on current expectations that involve risks and uncertainties. Actual results may differ materially. See the legal notice on the inside back cover for additional information.

WHAT'S AT STAKE? OUR STAKEHOLDERS TELL US. SUNCOR WORKS WITH A LARGE AND DIVERSE GROUP OF INDIVIDUALS AND ORGANIZATIONS – STAKEHOLDERS WHO MAY BE IMPACTED BY OUR OPERATIONS OR WHO COULD, THROUGH THEIR ACTIONS, AFFECT SUNCOR. THEIR INTEREST IN OUR SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE COVERS EVERY ASPECT OF WHAT WE DO AS A COMPANY, FROM THE GOODS AND SERVICES WE ACQUIRE, TO THE PEOPLE WE EMPLOY AND THE PRODUCTS WE PRODUCE AND SELL. SO WHAT'S AT STAKE? **IN A WORD: EVERYTHING.**

PEOPLE. PUBLIC AND EMPLOYEE SAFETY. HEALTHY COMMUNITIES. EDUCATION AND TRAINING.
SHARED ENVIRONMENT. WATER RESOURCES. CLEAN AIR. HABITAT AND WILDLIFE PROTECTION.
PROSPERITY. SHAREHOLDER VALUE. JOBS. CAPITAL INVESTMENT. ECONOMIC GROWTH.
SECURE ENERGY SUPPLY. **TRANSPARENCY.** CORPORATE REPUTATION. COMPLIANCE. TRUST.

SUNCOR ENERGY IS AN INTEGRATED ENERGY COMPANY WITH RESOURCE DEVELOPMENT IN WESTERN CANADA AND REFINING AND MARKETING OPERATIONS IN ONTARIO, CANADA, AND COLORADO, U.S.A. SUNCOR STOCK IS WIDELY HELD AND PUBLICLY TRADED ON THE TORONTO AND NEW YORK STOCK EXCHANGES (SYMBOL: SU). MORE THAN 4,000 EMPLOYEES WORK IN SUNCOR'S UPSTREAM AND DOWNSTREAM OPERATIONS IN CANADA AND THE UNITED STATES.

OIL SANDS

Near **Fort McMurray, Alberta**, Suncor's **Oil Sands** business produces diesel fuel, crude oil and crude oil byproducts. Since pioneering the world's first commercial oil sands operation in 1967, Suncor has more than quadrupled production capacity to 225,000 barrels of oil per day. Construction is under way for the next phase of oil sands development, planned to increase production capacity to 260,000 barrels per day in 2005, with a vision of growing to more than half a million barrels per day in the next decade.

NATURAL GAS AND RENEWABLE ENERGY

Based in **Calgary, Alberta**, **Natural Gas and Renewable Energy** supports Suncor's growth strategy by producing natural gas as a price hedge against internal consumption. The business also supports our environmental goals with low-emission hydrocarbon production, zero-emission wind energy projects and a mandate to develop ways to reduce and sequester carbon dioxide, a greenhouse gas.

DOWNSTREAM

Suncor's downstream operations connect our crude oil and natural gas production to customers. **Energy Marketing and Refining (EM&R) – Canada** operates a 70,000 barrel per day refinery in **Sarnia, Ontario**, and a network of Sunoco-branded retail and Fleet Fuel cardlock sites. EM&R – Canada also markets transportation fuels, heating oils and petrochemicals, primarily in Ontario.

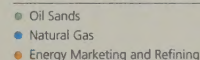
In the **United States**, Suncor operates a 62,000 barrel per day refinery in **Denver, Colorado**, along with 43 Phillips-branded retail stations and associated storage, pipeline and distribution facilities. Suncor acquired the U.S. assets in August 2003 to expand access to the American market. Because this report focuses on 2001 and 2002 results, performance data for these operations are not included.

IN 2003, SUNCOR ANNOUNCED PLANS TO PARTNER IN A 30-MEGAWATT WIND POWER PROJECT IN SOUTHERN ALBERTA. THE PROJECT IS EXPECTED TO MORE THAN TRIPLE SUNCOR'S WIND POWER CAPACITY.

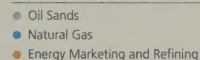


2002 CONTRIBUTIONS BY BUSINESS

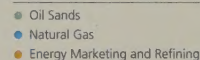
Net Earnings
\$761 million



Cash Flow from Operations
\$1.44 billion



Capital Employed
\$5.63 billion



SUNCOR'S JOURNEY

TO REACH ANY GOAL, YOU NEED A STRONG SENSE OF WHERE YOU'RE GOING. SUNCOR'S STAKEHOLDERS ARE THE COMPASS THAT KEEPS US MOVING IN THE RIGHT DIRECTION – TOWARD OUR VISION OF BECOMING A SUSTAINABLE ENERGY COMPANY. WHEN SUNCOR FIRST ARTICULATED THIS VISION, WE WERE ONE OF ONLY A FEW ENERGY COMPANIES TO COMMIT TO SUCH A JOURNEY. BUT FROM THE EARLIEST DAYS, WE FOUND WE WEREN'T TRAVELLING ALONE. OUR STAKEHOLDERS – EMPLOYEES, CUSTOMERS, SHAREHOLDERS, GOVERNMENTS, COMMUNITY RESIDENTS, POLICY ADVOCATES AND SUPPLIERS – HAVE BEEN WITH US EVERY STEP OF THE WAY. THEIR EXPERIENCE AND INSIGHTS HAVE SHAPED OUR ORGANIZATION'S CULTURE, INFLUENCED OUR DECISIONS AND HELPED SET THE COURSE FOR OUR EXISTING BUSINESS AND FUTURE GROWTH.

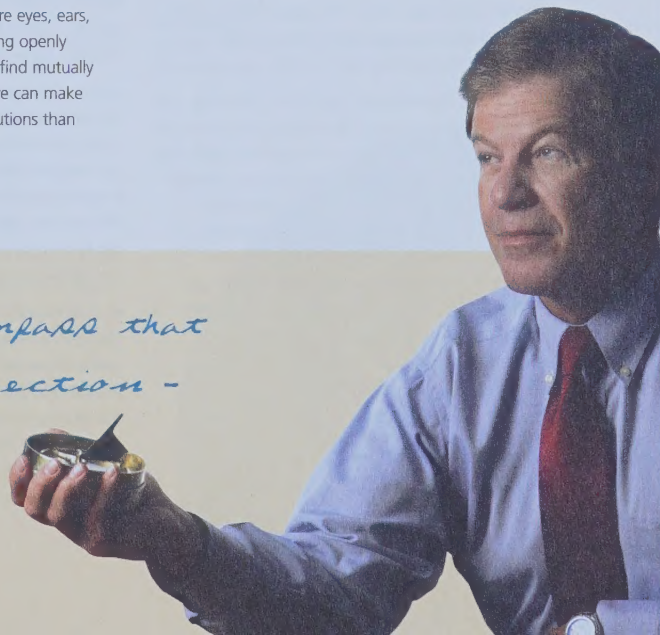
SHARING IN WHAT'S AT STAKE

Sustainability is about earning the consent of stakeholders to operate and grow our business. This requires that we understand the expectations of our stakeholders and, where possible, integrate the social, economic and environmental goals that are important to them into our business planning. To do this, we need to look at the big picture over a long period of time – and the best way

to get that critical perspective is to have more eyes, ears, hearts and minds involved. By communicating openly and honestly and engaging stakeholders to find mutually beneficial solutions to difficult challenges, we can make more progress and realize more creative solutions than by working in isolation.

Suncor's stakeholders are the compass that keeps us moving in the right direction - toward our vision of becoming a sustainable energy company.

RICK GEORGE PRESIDENT AND CHIEF EXECUTIVE OFFICER



As we travel the path toward sustainability together, there are a number of key challenges related to energy development that will require the best thinking of all stakeholders. Given the role of energy in our society both now and in the future, it is critically important that we tackle these challenges head-on:

- Reconciling consumer demand for low-cost, hydrocarbon energy with aspirations to address issues such as global climate change and urban air quality.
- Engaging capital markets and harnessing market forces to better measure and reward corporate sustainability efforts.
- Addressing technological, policy and market barriers to alternative and renewable forms of energy as we strive to diversify our energy supply and improve energy efficiency.
- Reforming corporate and public governance to better respond to social, environmental and economic challenges in a truly integrated manner.

These challenges have inspired us to think differently and over time have driven many of the actions outlined in this report. They've also influenced the engagement of Suncor employees with a broad range of stakeholders, through organizations such as the Wood Buffalo Cumulative Environmental Management Association, the World Business Council for Sustainable Development, the National Aboriginal Achievement Foundation and the Canadian Council of Chief Executives. While we don't have all the answers, we know there is a great deal at stake for our company and for future generations – and continued progress is essential.

CHECKING ON OUR PROGRESS

On the journey toward sustainability, we need to stop occasionally to check our bearings and make sure we are still moving in the right direction.

In Suncor's 2001 Report on Sustainability, we identified seven areas where Suncor needed to make improvements. The results are summarized below.

OUR COMMITMENTS:

1 IMPROVE WORKPLACE SAFETY Major incidents involving worker injuries were up significantly in 2001 and 2002. This is unacceptable and we took action in 2002 by launching *Journey to Zero*, a comprehensive management, education and awareness program aimed at eliminating workplace injuries. Early success in our drive for safety among both employees and contractors was recognized in 2003 with Suncor's first President's Operational Excellence Awards.

However, the enthusiasm that accompanied our progress turned to devastation in August 2003 when a young employee, Trevor Daye, was killed on the job. As both the leader of Suncor's safety efforts and as a father, this tragedy touched me deeply. An investigation of the incident may help us avoid such tragedies in the future, but now is the time for each of us to reflect and renew our dedication to safety.

2 ENHANCE EMPLOYEE WELL-BEING Safety on the job is complemented by a commitment to employee well-being at work and at home. Our Oil Sands business launched an initiative called SunCare in 2001 to champion community and family health in Fort McMurray and neighbouring Aboriginal communities. Following an employee survey in 2002, each of Suncor's businesses also took action to address the specific concerns in their

business unit, while new corporate-wide initiatives took aim at improving non-financial recognition, leadership development and the efficiency and integration of business processes throughout the company.

3 DEVELOP A SOCIAL RESPONSIBILITY MANAGEMENT SYSTEM We have evaluated various tools as a first step towards developing a social responsibility management system, putting us on the leading edge of those trying to quantify this important aspect of our business. We appear to be on the right track, as illustrated by our success in supporting community needs through the Suncor Energy Foundation, creating a diversified workplace that includes proportional representation of Aboriginals in the Wood Buffalo region, and receiving recognition by external parties like the Corporate Knights and Dow Jones Sustainability Index.

4 REDUCE GREENHOUSE GAS EMISSIONS In 2002, we recorded a marked reduction from 2000 levels in greenhouse gas (GHG) emissions per unit of production. Although total GHG emissions increased as a result of our oil sands expansion, we fulfilled our promise to improve energy efficiency and use new technologies that are less emission intensive. We also introduced an improved GHG management system to increase the accuracy of our measurements and reporting.

5 MINIMIZE ENVIRONMENTAL IMPACTS To reduce our environmental impacts, we pursued new technologies and better processes. These efforts include enhanced recovery technology and water recycling processes at Oil Sands and conservation approaches that reduced flaring in our Natural Gas business by almost half. In the downstream, we expect to begin providing Ontario consumers with lower sulphur gasoline in 2003, well ahead of the 2005 federally regulated deadline.

6 INVEST IN RENEWABLE ENERGY CHOICES

In 2002, we launched SunBridge, our first wind power project, in Saskatchewan. Early in 2003, we announced plans to partner in the development of a 30-megawatt wind power project in southern Alberta. These two projects are expected to account for nearly 15% of Canada's installed wind power by the end of 2004.

7 DEVELOP PARTNERSHIPS TO PROMOTE SUSTAINABLE DEVELOPMENT

Throughout 2001 and 2002, Suncor was involved in various partnerships and initiatives at the provincial, federal and international levels aimed at developing effective public policy on energy and climate change. We continue to work with industry, environmental groups and governments to promote policies that will help Canada develop a stronger renewable energy industry.

SETTING NEW MILESTONES

There are many crossroads on the path to sustainable development. The direction we take can be affected by new developments, external economic and political conditions, and the changing expectations of our stakeholders.

In looking ahead to the next stage of our journey, we have set milestones that we believe reflect emerging concerns and provide more tangible checkpoints for progress.

OUR MILESTONES:

1 We will create a culture where safety is a core value and always our paramount priority. All leaders, myself included, will consistently demonstrate through our behaviours and actions that nothing is more important than ensuring everyone who works at Suncor always returns home safely. Each of Suncor's businesses has developed a multi-year safety improvement action plan. We will ensure our progress is measured and our action plans updated annually.

2 We will continue to aggressively pursue reduction of greenhouse gas emission intensities. We will focus on implementing specific energy efficiency projects within each of our businesses and will continue to work with our contractors and suppliers to encourage them to do the same.

3 We will place an increased focus on enhanced water and land management through programs aimed at protecting ecological integrity and biodiversity, including working with other stakeholders to address cumulative effects.

4 We will continue to develop our renewable energy business to provide alternatives to hydrocarbon fuels. In addition to completion and start-up of a new wind project in southern Alberta, we will investigate options for further wind energy development across Canada.

5 We will continue to make Suncor a great place to work by building on the four cornerstones of value we offer as an employer: rewards and compensation; leadership; jobs with opportunity for personal and professional growth; and affiliation with a respected, high-performing company. We will also continue to empower employees to identify and implement opportunities for improving our social, environmental and economic performance.

6 As we move forward with our business plans, we will identify and pursue opportunities that improve the social and economic well-being of our communities and work to ensure economic benefits are shared with our Aboriginal neighbours. We will strive to be a positive presence in our communities by promoting workplace volunteerism and investing in community organizations.

NAVIGATING THE FUTURE

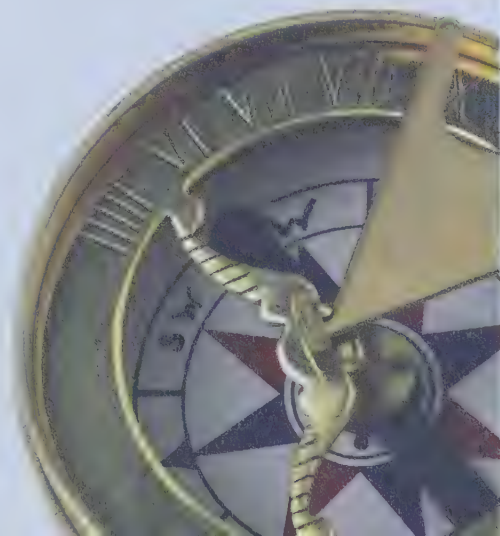
We have much more work ahead, but all of us at Suncor can take pride in what has been accomplished so far. Our stakeholders deserve special credit for keeping us moving towards our vision of becoming a sustainable energy company, pushing us to improve and steering us back on course should we stray.

We all know what's at stake – our shared economic and social prosperity and the well-being of our environment. Together, we need to keep the path clear for innovation, collaboration, co-operation and shared learning.

I look forward to our future progress.



RICK GEORGE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SEPTEMBER 2003



VISION AND STRATEGY

SUNCOR'S VISION IS TO BE A UNIQUE AND SUSTAINABLE ENERGY COMPANY, DEDICATED TO VIGOROUS GROWTH BY MEETING THE CHANGING EXPECTATIONS OF OUR CURRENT AND FUTURE STAKEHOLDERS. TO SUNCOR, BEING A SUSTAINABLE ENERGY COMPANY MEANS MANAGING OUR BUSINESS IN A WAY THAT ENHANCES SOCIAL AND ECONOMIC IMPACTS TO SOCIETY, WHILE STRIVING TO MINIMIZE THE ENVIRONMENTAL IMPACTS ASSOCIATED WITH RESOURCE DEVELOPMENT.

Sustainable development is fundamental to Suncor's long-term strategy because we believe supplying energy in a manner that meets the social, environmental and economic expectations of stakeholders – shareholders, customers, communities, governments, employees and advocacy groups – creates a solid foundation for increasing shareholder value.

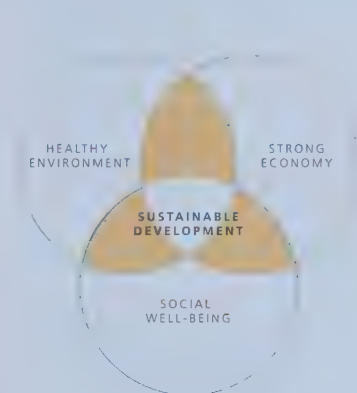
Measuring our performance and demanding excellence in all three areas forces us to think broadly and take a long-term view. This helps us reduce and manage risk while maximizing the rewards of our business – for Suncor and our stakeholders.

THE ENERGY DILEMMA

Meeting the growing demand for low-cost energy while addressing diverse stakeholder concerns is a dilemma faced by Suncor, the energy industry, government and

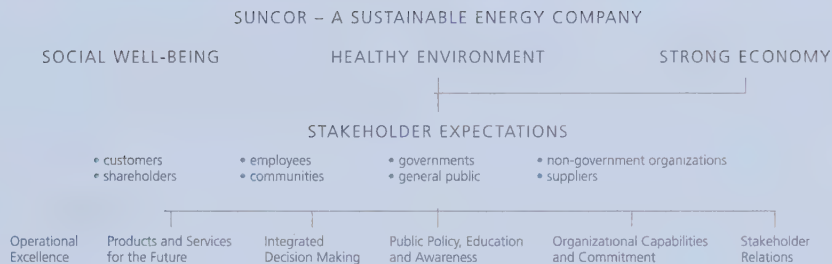
society. On one side we have increasing demand for energy, concerns about rising prices and projected declines in North America's conventional production of hydrocarbons – coal, natural gas and crude oil. On the other side, there are ever-increasing concerns about the environmental consequences of new development and use of hydrocarbon energy sources.

How do we balance the need for energy and economic growth with the need to preserve our environment and quality of life? The answer lies in acknowledging the legitimacy of both perspectives and striving for solutions that accommodate both needs. For Suncor, this means working toward a steady decline in the environmental intensity of our production – growing to meet incremental demand, while reducing incremental impacts.



PUTTING SUNCOR'S VISION TO WORK

From long-range planning to the delivery of products and services to customers, our vision requires strong leadership and a solid strategic framework. Suncor has developed a six-part strategy that puts our vision to work:



1 OPERATIONAL EXCELLENCE At Suncor, we aim to be the best in all that we do. Outperforming the competition is our goal and we strive to be a global leader in responsible energy development. That drive is supported by the President's Operational Excellence Awards, which in 2003 honoured safety leadership among Suncor employees and contractors.

2 PRODUCTS AND SERVICES FOR THE FUTURE We aim to reduce the environmental impacts of our products and services at a pace consistent with consumer demands, technology advancement and commercial viability. This includes developing high performance, environmentally responsible fuels such as ethanol-enhanced, low-sulphur gasoline and investing in competitive renewable energy products such as wind power.

3 INTEGRATED DECISION MAKING We continue to identify, evaluate and implement tools and practices that help incorporate environmental and social aspects more fully into our business decisions. This includes management approaches like the creation of multi-functional, cross-company teams to manage risks and identify opportunities and using tools like life cycle value assessment to understand the full impact of expansion projects.

4 PUBLIC POLICY, EDUCATION AND AWARENESS Suncor commits significant time and resources to supporting the development of public policy that encourages sustainable development through engagement in multistakeholder processes and consultation with government officials and public policy advocates. By supporting education and awareness programs, Suncor helps enhance the public's knowledge of key sustainability issues, such as global climate change, energy conservation and renewable energy use.

5 ORGANIZATIONAL CAPABILITIES AND COMMITMENT We know it's the people who work at Suncor who will turn our vision into reality. Suncor constantly strives to improve the effectiveness of our business by providing a workplace that is challenging and rewarding, where employees have a strong desire to outperform the competition. Through formal surveys and informal feedback, Suncor employees are encouraged to tell us how we are doing and where we can do better. Management uses this feedback and other measurements to assess and improve Suncor's organizational structure and capabilities and ensure our human resource systems support our vision of sustainability and our goal of strengthening shareholder value.

6 STAKEHOLDER RELATIONS Information sharing, consultation and collaborative processes guide Suncor's journey toward sustainability. We know stakeholder engagement helps us make better business decisions, resolve contentious issues, build stronger communities and strengthen customer loyalty. Our intent is to establish long-term relationships that benefit both Suncor and our stakeholders.

CORPORATE GOVERNANCE

TRUST AND CONFIDENCE ARE BUILT OVER THE LONG TERM. AT SUNCOR, WE KNOW STAKEHOLDERS LOOK BEYOND IMMEDIATE RESULTS FOR ASSURANCE THAT OUR SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE WILL ENDURE OVER TIME. THAT IT'S SUSTAINABLE. PROVIDING STRATEGIC GUIDANCE TO THE COMPANY, SETTING POLICY DIRECTION AND ENSURING WE ARE FAIRLY REPORTING OUR PROGRESS ARE CENTRAL TO THE WORK OF SUNCOR'S BOARD OF DIRECTORS.

The Board's oversight role encompasses Suncor's strategic planning, risk management, communication with investors and other stakeholders, and standards of business conduct. Suncor's Board is also responsible for selecting, monitoring and evaluating executive leadership and aligning management's decision making with long-term shareholder interests.

As of April 2003, the Board comprised 12 directors, 10 of whom were determined to be independent of management under the guidelines established by the Toronto Stock Exchange and New York Stock Exchange. The role of chair is assumed by an independent director and is separate from the role of chief executive officer. Independent directors also chair the four committees of the Board.

A comprehensive description of Suncor's governance practices is available in the company's annual proxy circular at www.suncor.com.

COMMITTEE

Board Policy, Strategic Review and Governance Committee*

Human Resources and Compensation Committee*

Environment, Health and Safety Committee

Audit Committee*

KEY RESPONSIBILITIES

Reviews preliminary stages of key strategic initiatives and projects. Reviews and assesses processes relating to long-range planning and budgeting. Oversees key matters pertaining to corporate values, beliefs and standards of ethical conduct. Reviews key matters pertaining to governance, including organization, composition and effectiveness of the Board.

Evaluates the performance of the CEO and reviews the CEO's evaluation of the performance of other executive officers. Recommends to the Board the compensation of the CEO and reviews the recommendation of the CEO for the compensation of other executive officers. Reviews and assesses the performance target goals for executive incentive plans and determines whether performance goals have been achieved.

Reviews the effectiveness with which Suncor meets obligations pertaining to environment, health and safety. Reviews the effectiveness with which Suncor establishes appropriate environment, health and safety policies in regard to legal, industry and community standards and maintains management systems to implement such policies and monitor compliance.

Oversees all audit functions and approves core financial disclosure documents, including quarterly financials and management's discussion and analysis.

*comprised entirely of independent directors as of April 2003

BUILDING CONFIDENCE – SUNCOR'S STANDARDS OF BUSINESS CONDUCT A series of well publicized corporate failures and criticisms of corporate accounting practices over the past several years have damaged investor confidence in North American markets. Public trust in the corporate sector is at stake. At Suncor, we are working hard to retain the confidence of our shareholders by strengthening our commitment to good governance and providing current and potential investors with high quality disclosure.

As part of these efforts, in 2002, Suncor's Board completed an extensive review of the company's corporate governance practices, ensuring they reflect new guidelines of the Toronto Stock Exchange, New York Stock Exchange and the United States Sarbanes-Oxley Act.

A key result of this review is improvements to Suncor's Standards of Business Conduct compliance program. It requires all Suncor employees and contract workers to annually read the company's business conduct policies and acknowledge they have complied with those policies during the preceding calendar year. The policies cover bribery and corruption, anti-competitive behaviour, trading, disclosure of material information, harassment, conflict of interest and confidentiality, improper payments,

and accounting, reporting and business control.* Full compliance is then reported to Suncor's Board.

Suncor also created a new process to address complaints and concerns about ethical matters, including anonymous submission by employees of concerns relating to questionable accounting or auditing matters.

The 24-hour *Integrity Hotline* gives employees a confidential avenue for airing concerns they might have about workplace problems, management practices or standards of conduct. The launch of the *Integrity Hotline* reflects increased emphasis within Suncor on responsible corporate governance.

SHAREHOLDER PARTICIPATION As owners of the company, shareholders have an important stake in our business and a keen interest in how Suncor operates and reports results. That proprietary concern is reflected in the Carpenters' Local 27 Pension Trust Fund, which brought forward a resolution at Suncor's 2003 Annual General Meeting (AGM) requesting that the Board establish a policy of expensing stock options. The Carpenters' fund cited concerns about the clarity of corporate disclosure and shareholder confidence in reported results.

"Expensing options is an important part of the high quality disclosure and good corporate governance that Suncor's owners have a right to demand," says Suncor President and Chief Executive Officer Rick George.

The Carpenters' proposal was carried by a vote of 77% in favour. Effective the second quarter of 2003, Suncor adopted a new accounting policy for stock options.

In order to be accessible to stakeholders regardless of location, Suncor web casts its AGM and provides the opportunity for viewers to participate in the question and answer period via the Internet.

PUTTING GOVERNANCE INTO ACTION Suncor's Sustainability Steering Committee (SSC), comprising senior management from all businesses, is responsible for development of company-wide strategies and operational goals and assessing sustainability progress across all areas of our business. The SSC reports directly to the executive Corporate Committee through the senior vice president, Human Resources and Communications, and the senior vice president and chief financial officer. Since 2000, Suncor's CFO has held top executive responsibility for sustainability issues, reflecting our belief that social, environmental and economic performance are interdependent and must be managed in a complementary way.

*For complete copies of these policies, visit www.suncor.com

LEADING BY EXAMPLE

Leadership is about walking the talk. And when it comes to corporate leadership, the Board of Directors sets the pace for the entire organization. Mel Benson – a member of Alberta's Beaver Lake Cree Nation and president of an international management consulting firm – is just such a pacesetter.

Elected to the Board in 2000, he is a highly respected leader who brings to Suncor a lifetime of experience and understanding of the socioeconomic and environmental

challenges facing Aboriginal communities. Since our operations impact Aboriginal communities right across Canada, from northeastern British Columbia to the Great Lakes, Benson provides Suncor's Board with a relevant and unique perspective. A successful businessperson, active participant in charitable and Aboriginal organizations, and recipient of Canada's National Aboriginal Achievement Award in 2003, Benson is a mentor who is guiding Suncor and Aboriginal communities towards stronger relationships that benefit everyone.

"Aboriginal Peoples want the same things from participation in the mainstream economy as anyone else," says Benson. "Jobs and contracts, a fair shot at opportunities to advance, a higher standard of living, a healthy environment and greater family stability – but they often live with historical handicaps that can make it difficult to succeed. Suncor continues to take a progressive view of Aboriginal involvement in its operations; I just offer a bit more perspective that may shorten the journey to equality."

POLICIES AND MANAGEMENT SYSTEMS

SUNCOR'S POLICIES AND MANAGEMENT SYSTEMS PROVIDE DIRECTION AND STRUCTURE TO OUR SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE. TOGETHER, THEY SET THE COURSE AND DEFINE THE RULES BY WHICH WE CONDUCT OUR BUSINESS, SERVING AS A CONSTANT CHECK TO ENSURE OUR ACTIONS ARE CONSISTENT WITH THE COMMITMENTS WE HAVE MADE.

POLICIES TO WORK BY

At Suncor, our vision is to exceed regulatory standards – to take our policies beyond *what's required* and set our sights on *what's desired*. The foundation for Suncor's policies rests on four key statements that provide direction to our employees, depicting who we are, and what we stand for.

1 CORE PURPOSE At Suncor, we set clear expectations for our performance. These expectations are specified in the company's Core Purpose which describes our vision and the path we will take to reach that goal.

Suncor is a unique and sustainable energy company dedicated to vigorous growth in worldwide markets through meeting or exceeding the changing expectations of our current and future stakeholders.

2 VALUES AND BELIEFS Suncor's Core Purpose is complemented by our Values and Beliefs, which describe the principles that guide the efforts of employees and contractors.

To achieve our vision, we place highest value upon: Health and Safety, High Performance, Involvement, Responsibility and Ethical Leadership.

3 ENVIRONMENT Suncor recognizes the need to reduce the environmental impacts associated with ongoing development and use of hydrocarbon energy. Environmental principles are integrated into our business plans because we believe responsible management of the environment is the only way to do business.

We accept the responsibility entrusted to us to develop resources, conduct our operations and offer our products and services in a socially, economically and environmentally responsible manner.

4 HEALTH AND SAFETY One of the most immediate and measurable standards of sustainability for employees, contractors and our community neighbours is health and safety. We know that creating a great place to work requires a strong commitment to protecting people and we are continually reinforcing safety as our overriding operational priority.

Management is accountable for establishing progressive programs and setting standards and goals which support continuous improvements in health, safety and loss control performance.

AUDITING AND CERTIFICATIONS

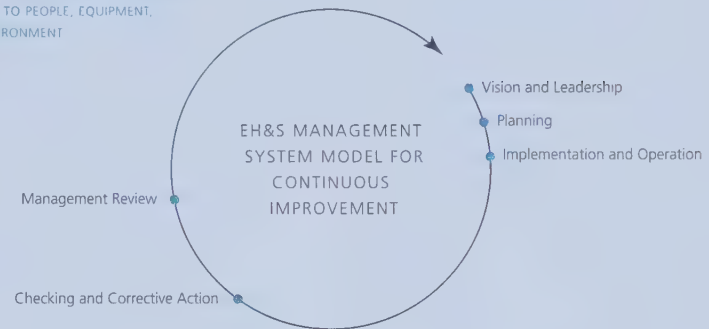
Suncor's internal audit department regularly examines the effectiveness of our internal controls and management systems – including those related to employee and stakeholder relations, health and safety and the environment.

Environment, health and safety (EH&S) audits are conducted on two levels with the assistance of qualified external parties. A Tier 1 EH&S assessment is conducted every three years at the corporate level. It evaluates Suncor's effectiveness in managing risks that could potentially affect our ability to meet business objectives. Tier 2 EH&S audits are conducted annually by each of Suncor's businesses to ensure compliance with the company's EH&S management system standards and regulatory requirements.

Both audits help Suncor identify deficiencies and potential opportunities in prioritizing and managing EH&S-related issues that may impact short-term targets or long-term goals. Results from these audits are reviewed with senior management and action plans are prepared and implemented.

In addition to internal audits that guide our management of EH&S issues, Suncor's external auditors independently audit the company's financial systems and reporting processes. External auditors PricewaterhouseCoopers LLP also validated selected data in this 2003 Report on Sustainability (see page 58).

SUNCOR'S ENVIRONMENT, HEALTH AND SAFETY MANAGEMENT FRAMEWORK, MODELLED ON THE ISO 14001 STANDARD, HELPS ENSURE THE COMPANY COMPLIES WITH REGULATIONS WHILE MANAGING RISKS TO PEOPLE, EQUIPMENT, PRODUCTS AND THE ENVIRONMENT



BUILDING VALUES

Values are the bedrock of a company. Without the solid foundation that values provide, no company can attract and retain good employees, earn the public's trust, or secure the investment it needs to grow.

Over the years, Suncor has found it helpful to write down what we stand for as a company. It keeps us focused. Just as scientific data helps us track air emissions, our statement of Values and Beliefs is a benchmark for on-the-

job behaviour – a gentle but constant reminder of the way we should act at work and the values we are expected to uphold. Ultimately, employees are the stewards of an organization's Values and Beliefs – that's why they were asked to be part of the development of these core principles at Suncor.

"It is important that employees, and especially new employees, understand what the company stands for. A statement of Values and Beliefs can serve as part of their introduction to the company. It can also help

employees measure their own performance and ensure their goals are aligned with company beliefs and expectations," said Maureen Cormier, director of finance for Major Projects and a participant in workshops that were held to help update Suncor's Values and Beliefs. "Many of our employees had the chance to contribute to development of our Values and Beliefs statement, which gave them a greater sense of ownership and commitment."

STAKEHOLDER RELATIONS

AT SUNCOR, WE DON'T HAVE ALL THE ANSWERS – BUT EXPERIENCE HAS SHOWN US THAT BY ASKING QUESTIONS OF OUR STAKEHOLDERS, SHARING INFORMATION AND COLLABORATING ON PLANS, WE CAN ACHIEVE MUTUAL BENEFITS AND FIND SOLUTIONS FOR THE COMPLEX AND SOMETIMES CONTROVERSIAL ISSUES CREATED BY INDUSTRIAL DEVELOPMENT.

WORKING TOGETHER MAKES GOOD BUSINESS SENSE

It's not just a good idea to consult stakeholders, it's good business. By understanding stakeholder issues and striving for solutions, we're able to maintain support for our operations and expansion plans, meet customer demand for energy products and attract a high-calibre workforce.

WHO HAS A STAKE? We consider our stakeholders to be individuals or groups who could be impacted by our operations or who, through their actions, could affect our business. As a result, our list of stakeholders is long and diverse – including customers, shareholders, governments, community residents, non-government organizations, advocacy groups, employees and suppliers.

HOW DO WE IDENTIFY SPECIFIC STAKEHOLDER INTERESTS OR DEMANDS? We ask them and we listen to what they say. We also consider the social, environmental and economic aspects of our business; stakeholder proximity to our projects; local, regional, national and international issues; and critical landmarks of public interest, such as historic sites and environmentally sensitive areas.

This is not always a simple process. We are an integrated company, but each of our businesses – Oil Sands, Natural Gas and Renewable Energy, and Energy Marketing and Refining – produce different products in different ways and involve stakeholders with very different needs.

Yet all our stakeholders have a right to expect a consistent approach in the way they are treated. This is true whether they are a customer who prefers to buy ethanol-enhanced gasoline at a Sunoco retail station; an elder of the Fort McKay First Nation who wants Suncor to support training in traditional knowledge; or an investor who wants to buy shares in a company that meets social responsibility benchmarks.

To ensure consistency, Suncor created a Stakeholder Relations Policy that guides employees with a “best practices” approach to building relationships.

SUNCOR'S STAKEHOLDER RELATIONS POLICY (EXCERPT) Through information sharing, consultation and collaboration Suncor develops long-term relationships with stakeholders that enable us to supply the energy products customers demand, while contributing to a strong economy, healthy environment and social well-being. By understanding stakeholder issues and striving for solutions, Suncor is able to maintain its public licence to operate and gain support for its growth plans, which in turn helps generate shareholder value.

At Suncor, we believe good stakeholder relations can also:

ENABLE GOOD DECISION MAKING The best business decisions are made when we inform stakeholders about our business plans, identify issues they may have and respond appropriately to those concerns.

RESOLVE ISSUES When we engage with stakeholders in a constructive manner we are better able to develop timely, cost-effective and mutually beneficial solutions.

BUILD STRONG COMMUNITIES By working collaboratively with stakeholders, we build trust between Suncor and its communities and are better able to work together to create safe and healthy environments for our employees, their families and local residents.

STRENGTHEN CUSTOMER LOYALTY By listening and responding to the needs of our customers, we are better able to deliver the quality energy products the market demands.

SUPPORT SHARED LEARNING By sharing perspectives, information, and knowledge, Suncor's employees and our stakeholders learn from one another.

For a complete copy of the policy, visit www.suncor.com

BUILDING RELATIONSHIPS = BUILDING TRUST, REPUTATION AND A STRONG BUSINESS

Suncor constantly measures all our key performance indicators, from the numbers of barrels produced at Oil Sands, to the volume of traffic into Sunoco retail stores. Suncor's effort to improve relationships with stakeholders is no exception.

Every two years, we obtain feedback by asking a wide range of opinion leaders, non-government organizations, government representatives and investors for their candid opinion about everything from Suncor's commitment to health and safety to the quality of management. In 2003, the latest round of research included the opinions of 192 stakeholders.

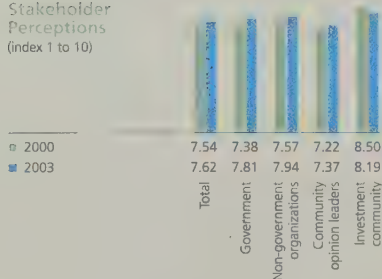
The results indicate that overall Suncor is performing very well across numerous reputational dimensions and that current programs and practices have proven effective. More than 60% of stakeholders surveyed describe Suncor's overall reputation as being "one of the best" in the energy industry.

Individual feedback was extensive but one overarching theme became apparent: excellent business performance is expected and is therefore not a factor in determining Suncor's reputation. What really matters is:

- open communication;
- lasting and mutually beneficial relationships with individuals and communities – especially Aboriginal stakeholders;
- environmental responsibility; and
- delivering on commitments.

To respond to the input received, Suncor plans to adopt a more consistent best practices approach to stakeholder relations across the company. We will also refocus our efforts to clearly communicate our commitments and the steps we are taking to deliver on our promises.

Stakeholder
Perceptions
(index 1 to 10)



SUNCOR STAKEHOLDERS RAISE THE MARK

In 2003, Suncor received higher marks from stakeholders than when the company last conducted stakeholder research in 2000. Investors were the only exception, noting higher than expected cash operating costs at Oil Sands and cost overruns on expansion projects as the main reason for the slightly lower rating in 2003. Even so, of all the stakeholder groups, investors gave Suncor the highest marks for reputation, citing such reasons as a "strong, capable management team," an ability to "communicate effectively" and being a "leader in the energy industry."

THE BEST SURPRISE IS NONE AT ALL

Investors need complete and accurate information about businesses to make wise decisions. And that's what Suncor always strives to give them.

"We work very hard to ensure there are no surprises when dealing with Suncor," says John Rogers, vice president of Investor Relations. "Our commitment to timeliness, accuracy and integrity of disclosure helps us paint a true, honest picture for current and potential investors."

There seems little doubt that the steady growth of our share value owes a lot to market confidence in Suncor's attitude of early and open disclosure. Suncor's total return to shareholders has steadily increased nearly 1,200% during the past decade, yet the company's stock has been one of the least volatile in the energy industry in terms of short-term ups and downs.

MULTISTAKEHOLDER FORUM PROVIDES EXPERT ADVICE

To arrive at the best answers, you need to first ask the right questions. That's been the experience of Suncor's Natural Gas business and Shell Canada as they explore for sour gas in the Panther area of Alberta's foothills – a region renowned for wildlife and backcountry recreation.

Stakeholders on the Panther Advisory Group (PAG) guide Suncor and Shell on how best to operate in this unique area. Besides industry, PAG members include outfitters and guides, trappers, hunters, grazing leaseholders, recreational users, environmental groups, First Nations and regulatory representatives. The advisory group's recommendations have made development in the area more efficient because, as frequent users, PAG members have detailed knowledge and a keen interest in the area. For example, when Suncor and Shell were planning to test a proposed exploratory gas well in the area, the

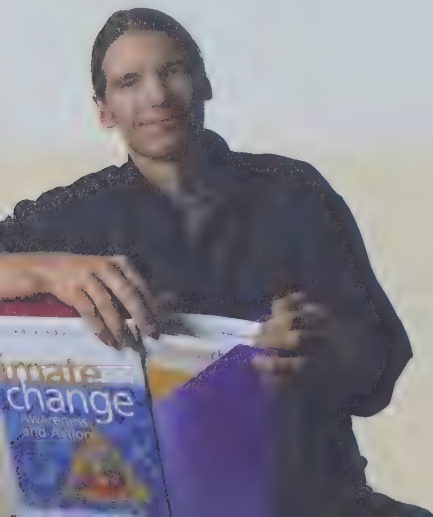
companies expected that local stakeholders would prefer an in-line well test. In-line testing releases gas volumes directly into a pipeline instead of flaring the gas – a highly visible and noisy procedure that would be exacerbated by the mountaintop location of the well. After studying the options, PAG recommended instead that the companies use a flare test because it would create less of a long-term impact on the land than building a pipeline to a remote site that may or may not be developed.

This decision is an illustration of the vision of success penned by participants who formed the advisory group: "By working together, a diverse group developed the Panther wells using respectful communication and thoughtful planning, combined with a strong determination to ensure this unique part of the world will be available for present and future generations to experience and enjoy."

Our role is to help drive Suncor's thinking further out-of-the-box to solve environmental challenges. **MARLO RAYNOLDS** DIRECTOR OF ECO-SOLUTIONS GROUP, THE PEMBINA INSTITUTE FOR APPROPRIATE DEVELOPMENT

At Suncor, we don't just challenge ourselves to do better; we invite others to challenge us. As we work to develop, refine and implement our business strategies, we often join forces with external stakeholders. The Pembina Institute for Appropriate Development, an independent, not-for-profit environmental policy, research and education organization, has worked with Suncor on a variety of sustainability initiatives.

One tool Pembina is helping to integrate into Suncor's operations is Life Cycle Value Assessment (LCVA), which views project development across its full spectrum, from the manufacture of materials by third party vendors through to waste disposal and reclamation. By assessing social, environmental and economic impacts across the full project life cycle, this tool helps Suncor make business decisions that are socially, environmentally and economically positive for our company and our communities. Suncor began using LCVA on selected projects in 1998.



IMPROVING SUNCOR'S STAKEHOLDER RELATIONS TOOL KIT

In order to maintain the right to grow our business, we must continue to engage a variety of stakeholders to build the trust of the individuals and groups whose support is critical to our success.

To complement our Stakeholder Relations Policy, we have developed a step-by-step how-to guide for employees. The guide was developed in collaboration with Chief Jim Boucher of the Fort McKay First Nation and with the support of numerous employees and stakeholder groups. It includes tools to identify stakeholders and assess their level of engagement, planning and evaluation processes for engaging stakeholders, and tips and techniques to help reach mutually beneficial outcomes.

Because we view stakeholder relations as part of everyone's job at Suncor, the guide is designed to be useful to all employees. To further improve employee understanding of stakeholder relations skills, Suncor is designing complementary employee training sessions.

GETTING ENGAGED Different situations and stakeholders call for different approaches to engagement. There is no "one size fits all" model. This matrix provides a high level overview of the various communications approaches – from information sharing to collaboration – that are applied at Suncor.

Information Sharing		Consultation		Collaboration	
- Press releases, press conferences, media advertising and mail-outs - Project bulletins and letters to targeted audiences - Surveys	- Open houses and town hall meetings - Speeches, displays, handouts and videos - Technical briefings - Tours - Focus groups	- Building one-on-one relationships - Creating memorandums of understanding - Development of key socio-economic and environmental concerns and joint action plans	- Development of environmental and socioeconomic agreements - Community consultation meetings - Leadership summits	- Joint ventures - Equal partnerships - Shared resolution of issues - Shared environmental management - Land management	- Capacity building - Alliances - Advisory boards - Multistakeholder forums
Low levels of engagement ←				→ High levels of engagement	

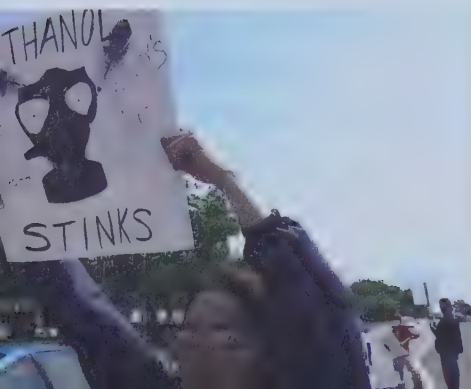


Photo courtesy Sarnia Observer

DIVERSE VIEWS UNDERLIE RESPONSIBLE DECISIONS In Sarnia, Ontario, where Suncor is considering plans to build a new plant to produce ethanol, some residents have voiced concerns about the potential for odours, dust, noise, traffic and damage to the environment. This input is essential in helping Suncor make better decisions and develop solutions that work for us and for our stakeholders.

For more information about Suncor's potential plans for ethanol, see page 49.

THE CAPACITY TO TACKLE ANYTHING

There was a time, not long ago, when industry would announce a frontier development project and then give the related jobs and contracts almost exclusively to non-residents. That was as true for the oil sands frontier as it was in South America or Indonesia. To the extent local people were consulted and employed, it was as an afterthought.

WHY? Largely because industry had endless faith in its business skills and little understanding of, or respect for, the traditional knowledge, flexibility and drive of local residents.

NOW THINGS ARE DIFFERENT In northeastern Alberta, where Suncor has long been a major player in the oil sands, both industry and local people have learned a great deal from each other. As a result,

co-operation through consultation and collaboration now underpins the relationship.

Chief Archie Cyprien of the Athabasca Chipewyan First Nation says “things have improved a lot over the years. I have been involved in Band politics for 20 years now – 12 of those as Chief – and First Nations people are finally being listened to about issues that concern us all. That’s partly because the attitude of industry has changed and partly because we’re more educated, more experienced, and more vocal. We’ve been so successful in gaining the respect of industry that First Nations across the country are looking to our example.”

The new attitude can be seen in the All Parties Agreement signed by the Athabasca Tribal Council (ATC), 15 resource developers and three levels of government in January 2003. The ATC, which was formed in 1988, represents some 5,000 Cree and Chipewyan people from five separate First Nations within the vast Wood Buffalo region that stretches from north central Alberta to the Northwest Territories border. ATC’s main goal is ensuring their economic and social well-being.

The All Parties Agreement helps ATC do that by providing technical advice and funding for the First Nations to set up Industry Relations Corporations (IRC). The IRCS are intended to enable each Nation to consult more effectively with industry and move outstanding resource development issues closer to resolution. In addition, the agreement sets standards of consultation. When everyone knows what is expected, there are no surprises.

Mike Ashar, executive vice president of Suncor, said the All Parties Agreement “recognizes that co-operation is the key to successful, responsible and sustainable development. We cannot and will not proceed with development in the absence of a clear and defined commitment of inclusion to the Aboriginal Peoples of the Athabasca region.”

The All Parties Agreement is simply the latest in a series of joint initiatives that aim to strengthen understanding and co-operation among the diverse parties who have a direct interest in resource development in the Athabasca region. Others include the Regional Issues Working Group, which collects and shares information on everything from housing to daycare, and the Cumulative Environmental Management Association, which addresses the collective environmental effects of industrial development in the area.

In addition, individual corporations like Suncor now have well-defined policies regarding equitable business development, employment and community investment in all local communities. One result has been the founding and growth of Aboriginal owned and operated businesses. Some, like Denesolene Environmental, have gone from seven employees in 1993 to nearly 200 employees today. Others, like Mikisew Slings and Safety Ltd., have expanded their operations off-reserve to supply new markets while creating new jobs.

We've been so successful in gaining the respect of industry that First Nations across the country are looking to our example. CHIEF ARCHIE CYPRIEN ATHABASCA CHIPEWYAN FIRST NATION

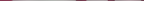


PEOPLE ARE THE DRIVING FORCE BEHIND SURGEON'S GUTTER. AND THEY HAVE A SAY IN THE WAY WE RUN OUR BUSINESS. WE ALL HAVE A RIGHT TO A SAFE AND HEALTHY WORK ENVIRONMENT. WE'RE HERE TO BRING OUR OWN CONSIDERATIONS TO THE TABLE TO ENHANCE THE POSITIVE – AND MITIGATE THE NEGATIVE – AS WE COLLABORATE TO MEET OUR EXPECTATIONS AND FIND NEW AND BENEFICIAL WAYS OF WORKING TOGETHER.

...people

...the ... (ATC)

... the lover of government in



1990

...in central Alberta to the

are looking to our exam

are looking to our example. CHIEF ARCHIE CYPRIEN

PEOPLE ARE THE DRIVING FORCE BEHIND SUNCOR'S SUCCESS – AND THEY HAVE A STAKE IN THE WAY WE RUN OUR BUSINESS. SUNCOR EMPLOYEES HAVE A RIGHT TO A SAFE AND HEALTHY WORK ENVIRONMENT WHERE PERFORMANCE IS REWARDED, WHILE COMMUNITY NEIGHBOURS LOOK TO US TO ENHANCE THE POSITIVE – AND MITIGATE THE NEGATIVE – IMPACTS OF OUR OPERATIONS. AT SUNCOR, WE STRIVE TO MEET THEIR EXPECTATIONS AND FIND NEW AND BENEFICIAL WAYS OF WORKING TOGETHER.



HOW ARE WE DOING? BEING A SOCIALLY RESPONSIBLE CORPORATE CITIZEN MEANS BEING A GOOD EMPLOYER AND NEIGHBOUR. THIS PAGE PROVIDES AN AT-A-GLANCE LOOK AT SOME PERFORMANCE INDICATORS FOR SOCIAL RESPONSIBILITY, DEMONSTRATING WHERE WE'VE MADE PROGRESS AND WHERE MORE WORK IS REQUIRED. EFFORTS ARE UNDER WAY TO SET LONG-TERM TARGETS FOR KEY PERFORMANCE INDICATORS THAT WILL BE INCLUDED IN FUTURE REPORTS.

INDICATOR	1998	2002	PROGRESS
EMPLOYEE LOSS RATE (turnover rate)	10.5%	9.3%	↓
CONTRACTUAL EMPLOYMENT RATE (turnover rate)	10.0%	6.3%	↑
EMPLOYEE LOSS RATE (voluntary)	1.00%	2.33%	↑
EMPLOYEE LOSS RATE (involuntary)	9.5%	7.0%	↑
EMPLOYEE LOSS RATE (total)	10.5%	9.3%	→
WORKFORCE DIVERSITY (% of Suncor workforce)			
INDIGENOUS	1.0%	1.3%	↑
WOMEN	18.0%	19.3%	↑
ETHNIC DIVERSITY	1.0%	1.3%	→
EMPLOYEES WITH DISABILITIES	1.0%	1.0%	↓
COMMUNITY DEVELOPMENT (voluntary hours donated)	1.0%	5.0%	↑

* The number of employees increased to more than 4,000 in August 2002 with Suncor's acquisition of a refinery in Denver, Colorado, along with 43 Phillips 66 retail stations and associated storage, shipping and distribution facilities.

HEALTH AND SAFETY

SUNCOR'S COMMITMENT TO PEOPLE STARTS IN THE WORKPLACE. CONTRIBUTING TO A SAFE AND HEALTHY WORK ENVIRONMENT IS THE RESPONSIBILITY OF EVERY MEMBER OF THE SUNCOR TEAM – FROM OUR BOARD OF DIRECTORS THROUGH TO THE INDIVIDUAL UNION AND MANAGEMENT PERSONNEL WHO WORK ON JOINT HEALTH AND SAFETY COMMITTEES TO ACHIEVE OUR COMMON GOALS.

SAFETY PERFORMANCE: ROOM FOR IMPROVEMENT

Suncor's company-wide lost-time injury frequency, which includes performance from both our conventional petroleum and oil sands mining operations, compares favourably with relevant industry averages. In 2001, Suncor's performance was better than the mining industry and upstream and downstream petroleum industry averages. However, an increase in injury frequency, coupled with improving industry benchmarks, placed Suncor higher than the mining and upstream petroleum industry averages in 2002. Regardless of industry benchmarks, Suncor's target for employees and

contractors is clear – steady and lasting reductions in work site injuries (see "Together Every Step of the Way" page 20).

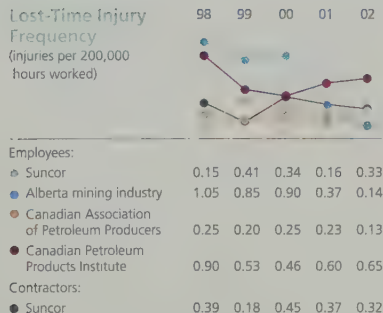
As a meaningful measure, safety performance must be viewed not just by frequency, but also by severity. While there were no fatalities on Suncor work sites in either 2001 or 2002, there were 12 major incidents that resulted in serious injuries.

One of the incidents in 2001 involved a flash fire at a well site southwest of Rocky Mountain House, Alberta, that left a worker with first- and second-degree burns to the face and hands. As a result of the incident investigation and follow-up, Suncor reviewed the facility design and revised workplace procedures to enhance worker safety

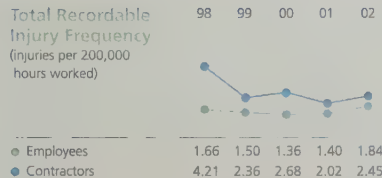
and protection. Changes included conducting hazard assessment and training reviews and providing personal gas detection monitors to field crews in Natural Gas facilities. The zoning and classification of buildings was also modified to improve safety. Alberta Workplace Health and Safety issued two compliance orders in relation to the incident and Suncor addressed both to the satisfaction of the regulators.

PRIOR TO PUBLICATION OF THE REPORT, THERE WAS A FATALITY AT SUNCOR'S SARNIA REFINERY. TREVOR DAYE, 21, DIED ON AUGUST 19 FOLLOWING A FIRE AT THE PLANT. SUNCOR IS WORKING WITH AUTHORITIES TO INVESTIGATE THE CAUSE OF THE INCIDENT.

Lost-Time Injury Frequency
(injuries per 200,000 hours worked)



Total Recordable Injury Frequency
(injuries per 200,000 hours worked)



There are two common statistical measures of safety performance. The first, Lost-Time Injury Frequency (LTIF), measures the number of work-related injuries that result in workers missing their next regularly scheduled work shift per 200,000 hours worked (approximately 100 person-years of work). The second, Total Recordable Injury Frequency (TRIF), measures the number of injuries that require medical treatment per 200,000 hours worked, including, but not limited to, lost-time injuries.

TOGETHER EVERY STEP OF THE WAY

The number and severity of injuries reported on Suncor work sites underlines the need to emphasize workplace safety and awareness. It's an issue that Suncor employees and contractors take very seriously and we've responded with company-wide action.

In 2002, Suncor launched Journey to Zero, a strategy that envisions elimination of all occupational injuries and illnesses. The first step of the journey was to compare our current safety culture against companies that have achieved superior safety performance and identify gaps that need to be addressed. While best practices of other companies are instructive, we recognize we also need active engagement from our front-line people who are most knowledgeable about how and why injuries occur and what can be done to prevent them. That's why we sought input from employees and contractors through an extensive safety survey and asked employees to take part in workshops that kicked off our Journey to Zero initiative.

Drawing on the dialogue and input from the workshops, three-year safety improvement action plans have been

developed and are being implemented across all our businesses – and we're already seeing changes. Every meeting of Suncor's Corporate Committee and the Management Committees of our businesses now begins with safety as the number one agenda item. And, recognizing that safety is a company-wide responsibility and not limited to plant and field operations, we have established an office safety committee at our corporate headquarters. We are encouraged by early signs of progress, but know there is much more work to be done.

MAJOR PROJECTS LAUNCHES THE JOURNEY

When Suncor introduced the Journey to Zero strategy, one of the first groups to step forward with enthusiastic support was the Major Projects team, formed in January 2002 to manage engineering, procurement and construction for Suncor's large growth projects.

Major Projects took aim at a serious and recurring situation: workplace injuries suffered by contractors. Historically, more contractor than employee injuries are recorded at Suncor – which illustrates the need to get contractors fully engaged with Journey to Zero. This is especially important for Major Projects, where engineering and construction contractors make up a majority of the workforce.

Major Projects developed a 14-point safety improvement action plan. Highlights include implementation of a communication strategy to foster shared safety beliefs, expectations and progress among employees and contractors; development of a best practices environment, health and safety (EH&S) management system; safety training for employees and contractors; safety measurement in employee performance reviews; and development of more leading indicators to measure risks before injuries occur.

During 2002, Major Projects worked 1.52 million person-hours and ended the year with a combined contractor and employee lost-time injury frequency of 0.13 – the lowest of any of Suncor's major divisions and significantly lower than the combined 2002 Suncor-wide LTIF of 0.32. Major Projects combined total recordable injury frequency rate of 1.96 was also lower than the combined Suncor-wide TRIF of 2.18.

In recognition of their safety achievements in 2002, Major Projects received a President's Operational Excellence Award, Suncor's top honour for superior operational performance. Sharing honours with Major Projects was one of their key contractors – Flint Engineering Services, who were recognized for their safety performance during work on Suncor's Firebag project.



ZEROING IN ON SAFETY

At workshops across Suncor, employees, contractors and union representatives launched the Journey to Zero by having a "no-holds-barred" session facilitated by external experts. Over the course of two and a half days, workshop participants collaborated on a vision for Suncor's safety culture, and on ideas about how to make zero a reality. Here's what some of the participants said about the experience:

- "The Journey to Zero is a pivotal point in Suncor's continuous efforts to improve safety and eliminate injuries."
- "I learned a lot about safety and the values and actions that drive it."
- "Having Suncor's top person here and all of Suncor's senior management makes you appreciate the commitment and importance being given to Journey to Zero."
- "Zero is attainable."

SETTING THE SAFETY STANDARD

When it comes to safety, everyone's on the same team. That's the thinking behind Suncor's work with other industry members, government regulators, trade associations and labour groups in creating the Oil Sands Safety Association (OSSA).

Formed by Suncor, Syncrude Canada Ltd. and Albian Sands Energy Inc., OSSA is a not-for-profit organization working to enhance safety and improve efficiency by adopting common safety training and certification standards that meet the unique needs of the oil sands industry.

Modelled on a similar program operated by major refinery and chemical manufacturers in Sarnia, Ontario, OSSA is leading the way in showing how industry can work together to create training standards in Alberta. Martin McDonnell, administrator of the International Union of Operating Engineers Local 955 Training Fund, calls OSSA "an important step in the right direction that reduces the frustration workers have felt for years about training duplication and gets them safely onto the job site much faster. Having a standard that keeps everyone in compliance is good for the guys on the job and for business. I am confident this more rational approach will eventually be adopted wherever there is heavy industry in the province."



RECORD OF SUCCESS ANGUS, ALBERTA
SUNCOR'S OIL SANDS PROCESSING PLANT
HAS A ZERO RECORD FOR LOSS OF TIME
DUE TO WORK-RELATED INJURY OR
ILLNESS SINCE 1990.

MARTIN McDONNELL, ADMINISTRATOR OF THE
INTERNATIONAL UNION OF OPERATING
ENGINEERS LOCAL 955 TRAINING FUND
AND **TIM GONDEK**, SUNCOR



EMPLOYEE RELATIONS

DEVELOPING SUNCOR'S 13 BILLION BARRELS OF RECOVERABLE RESOURCES IN THE ATHABASCA OIL SANDS CAN ONLY BE REALIZED THROUGH THE EFFORTS OF OUR EMPLOYEES. THEY ARE A KEY STAKEHOLDER AND A CRITICAL PART OF SUNCOR'S FUTURE SUCCESS.

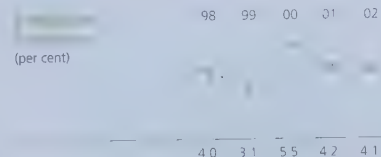
THE EMPLOYEE VALUE PROPOSITION

At Suncor, we set ambitious goals and expect outstanding performance. We ask a great deal of our employees and in return, we offer a great deal through an employee value proposition that is based on four cornerstones:

- 1 REWARDS** Suncor builds on competitive base pay and comprehensive benefits with short- and long-term performance-based incentive plans. Our goal is to provide top quartile compensation for top quartile performance.
- 2 LEADERSHIP** Strong leadership is essential to achieving our ambitious goals and creating the climate to inspire employees to deliver high performance. Suncor supports a variety of internal and external learning opportunities and is in the process of developing an integrated, enterprise-wide leadership development strategy.
- 3 CHALLENGING AND SATISFYING JOBS** We recognize that a job should be personally and professionally rewarding – so we offer employees opportunities to develop their skills through in-house training, educational support and the opportunity to take

on different assignments across the company. We also strive to provide flexible work hours to support community volunteer efforts.

- 4 REPUTATION** People want to be proud of the place where they work and employment at Suncor comes with the added value of an exceptional reputation for corporate social responsibility, solid values and beliefs and a strategic, high-performing organization.



LEADING OUR INDUSTRY In 2003, Suncor was named one of Canada's 50 Best Corporate Citizens by Corporate Knights magazine. Each year, the magazine ranks the nation's largest firms in terms of corporate responsibility. We placed first overall in the Oil and Gas sector, second in Environment, and third in both Employee and Community Relations.

RAISING THE BAR ON EMPLOYEE COMPENSATION

In 2002, Suncor's Employee Long Term Incentive Plan (ELTIP) was one of the first performance-based programs in Canada to pay out for non-management employees.

The ELTIP payout goes a step beyond Suncor's competitive base pay and performance incentive plans, reflecting our commitment to offer extraordinary rewards for achieving extraordinary goals and our belief that compensation should be linked to performance.

In 1997, when Suncor's Board of Directors approved what would ultimately become the \$3.4 billion capital expansion of the company's oil sands business, they recognized the need to retain Suncor's experienced workforce and recruit new employees to support the growing organization. In order to attract and keep the best, the Board approved ELTIP, which directly linked employee rewards with achievement of aggressive internal business goals and targets for shareholder value.

With the ELTIP payout in 2002, employees were recognized with a combination of Suncor shares and cash. On average, eligible employees who had been with the company the full term of the program received a payment valued at \$27,310. Senior managers participated in the ELTIP program by receiving a one-time grant of stock options, which vested upon achievement of the same performance goals as the employee ELTIP program.

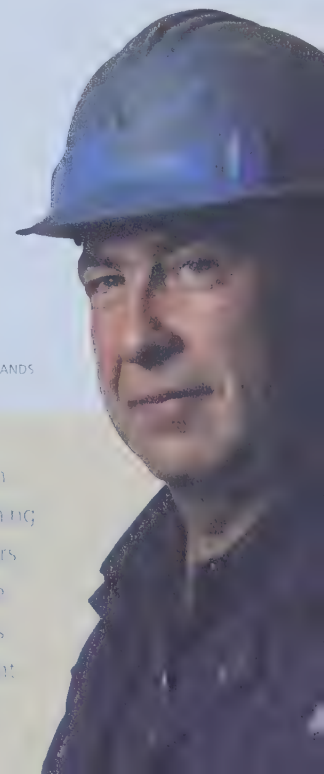
During ELTIP's five-year period, shareholder value tripled. The cost of ELTIP represented less than 2% of this phenomenal growth but it offered substantial rewards to individual employees. This helped Suncor attract and retain employees in a competitive environment, with attrition averaging less than 5% from 1997 to 2001.

Following the success of ELTIP, Suncor introduced SunShare in 2002. This new employee performance-based long-term incentive plan grants stock options to all eligible employees providing Suncor reaches specific shareholder value performance targets, including doubling of shareholder value by 2008.



MIKE LEWIS HEAVY EQUIPMENT TECHNICIAN OIL SANDS

SOUND ADVICE FROM THE FRONT LINE If anyone knows how to do a job better, it's the people on the front lines. At Suncor, we're always open to their ideas about job and equipment improvements. Listening to their advice reduces both on-the-job frustration and operating costs. Mike Lewis, a mechanic who repairs mine equipment, thought he had a solution when it came to preventing gearbox failure on Oil Sands huge cable shovels during cold weather starts. His idea was to install a pressure relief filter bypass that maintains oil flow on start up. We've now installed these bypasses on all our shovels, reducing repair and replacement bills for failed gearboxes. Lewis' idea was just one of more than two dozen excellent solutions to age-old problems offered by Oil Sands employees in 2002. It always pays to get advice from the experts.

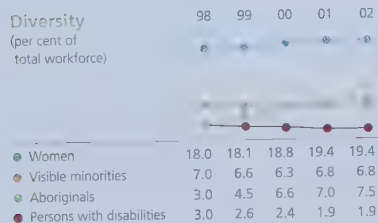


DIVERSITY
IN THE WORKPLACE

At Suncor, we believe our business benefits when we foster a workplace culture that supports and builds on individual differences and adds to the strength, skills and perspectives available within our operations.

We continue to target increased employment of Aboriginals, women, visible minorities and persons with disabilities by removing barriers and providing training initiatives that foster diversity.

We're making progress. For example, in 2002, 7.5% of our employees were Aboriginal – an increase from 3% in 1998. At the company's oil sands operation, Aboriginal employees account for 10.8% of our workforce, close to the 12% target Suncor has set to better reflect regional demographics.



EMPLOYEE UNIONS
AND ASSOCIATIONS

Suncor's relationships with unions and associations are vital to ensuring the reliable operation of our facilities.

At Oil Sands, approximately 1,450 of the plant's 2,100 employees are unionized and covered by a collective agreement with the Communications Energy and Paperworkers Union, Local 707. Since 1986, Suncor and Local 707 have negotiated seven collective agreements without disruption to operations.

The Sunoco Employees' Bargaining Association (SEBA) is the collective bargaining agent for approximately 65% of employees at Energy Marketing and Refining's (EM&R) Sarnia refinery. Throughout its 49-year history, SEBA's positive relationship with management has resulted in no work disruptions. Also in the EM&R business, workers at the London, Ontario, terminal certified with the Canadian Auto Workers' Union in early 2002 and ratified their first contract in early 2003.

For projects and maintenance work, Suncor is involved with other labour organizations, such as the Alberta Building Trades Council.

In keeping with our goal to be one of North America's lowest cost crude oil producers, Suncor targets the most competitive option to complete work safely, on budget and on time. To meet that goal, we are striving to maintain positive relationships with contractors that employ workforces of various union and non-union affiliations.

WHAT OUR EMPLOYEES
THINK OF SUNCOR

Listening is the first step in making positive changes within a company. The insight we gain helps us to design and implement the kind of programs that raise a company from ordinary to extraordinary. That's why Suncor surveys employees every couple of years to get their views on everything from job satisfaction to corporate leadership. The result is a measure of "employee engagement" – a broad indicator of an organization's ability to attract, motivate and retain the employees it needs for long-term business success.

The latest survey, conducted by an independent research firm in March 2002, captured the views of nearly three-quarters of employees. While more than half of the employees who responded are fully engaged, the responses were not all glowing – but that's exactly why we asked for input. Feedback from the survey told us we can strengthen leadership skills at all levels, improve employee recognition, create a better career development partnership with employees and provide the tools to help people do their jobs better.

As a result of the survey, each business launched action plans to deal with business-specific concerns of employees. On a corporate-wide basis, Suncor has addressed key employee issues by developing and delivering recognition workshops, enhancing leadership development and introducing an initiative aimed at integrating and improving the efficiency of business processes across the company.

Suncor plans to next measure employee perceptions and expectations in 2004.

COMMUNITY RELATIONS

SUNCOR IS COMMITTED TO IMPROVING THE QUALITY OF LIFE IN THE COMMUNITIES WHERE OUR EMPLOYEES WORK AND LIVE, SUPPORTING COMMUNITY GROWTH BY ENCOURAGING PARTNERSHIPS AND INVOLVEMENT AT BOTH A CORPORATE AND INDIVIDUAL LEVEL.

SUPPORTING COMMUNITY NEEDS

As an Imagine Caring Company, Suncor contributes a minimum of 1% of average domestic pre-tax profits to Canadian charitable causes. In 2002, we donated an estimated \$6.3 million, with the majority distributed through the Suncor Energy Foundation.

The Foundation is a private charitable foundation funded by Suncor to manage the company's donations. The Foundation gave \$4.5 million to more than 265 Canadian charities in 2002 and since 1998 has invested nearly \$15 million in our communities.

Many of the initiatives funded by the Foundation are highlighted throughout this report. For a complete listing and more information on our community investment program, visit www.suncor.com.



It's nice to know that Suncor values its employees' aspirations and interests at both a professional and personal level. **REBECCA LUN** SENIOR PROCESS ENGINEER, MAJOR PROJECTS

CHARITIES OF CHOICE To celebrate 50 years as part of the community, employees at Suncor's Sarnia refinery selected 10 local organizations to receive grants totalling \$50,000 from the Suncor Energy Foundation. One of the grant recipients was the Sarnia and District Society for the Prevention of Cruelty to Animals (SPCA), where Suncor employee Rebecca Lun (inset) works as a volunteer. Suncor's donation will support the SPCA's Animal Health Program, and Spay and Neuter Program.



PROMOTING THE GIVING SPIRIT

Each year, the Suncor Energy Foundation supports Suncor employees and retirees who contribute to charitable organizations in their communities – either through volunteering or personal donations.

In 2001 and 2002, the Foundation awarded more than 235 Community Service Grants for a total contribution of \$368,500 to various charitable organizations. In addition, over those two years, the Foundation provided more than \$39,000 in matching grants to 25 Canadian universities and colleges on behalf of more than 125 employees and retirees.

The Foundation also continues to support the United Way by matching Suncor employee and retiree gifts to United Way agencies across Canada. Together, Suncor employees, retirees and the Foundation contributed more than \$1 million to the United Way in both 2001 and 2002.

In Ontario, the Foundation supports the efforts of Sunoco retail employees, who donate hundreds of hours of volunteer time each year to community initiatives. In 2002, the Foundation created the Sunoco Retailer Matching Grant Program, which provides a matching contribution of up to \$5,000 to charities for which the retailers have raised funds. In 2002, matching grants totalled more than \$130,000.



AT OIL SANDS, SUNCOR ALSO CONTRIBUTES TO COMMUNITY WELL-BEING THROUGH THE REGIONAL MUNICIPALITY OF WOOD BUFFALO MUTUAL AID AGREEMENT. WE POOL RESOURCES WITH INDUSTRY AND OTHER LOCAL PARTNERS TO DEAL WITH EMERGENCIES, SUCH AS PROTECTING COMMUNITIES FROM FOREST FIRES.



HELPING OUT WITH HABITAT FOR HUMANITY In August 2002, 30 Suncor women joined hundreds of Calgary volunteers in the construction of a duplex for two Calgary families – Canada's first Women Building a Legacy project. In March 2003, the Suncor Energy Foundation also announced a \$75,000 donation to Habitat for Humanity Wood Buffalo, which will support development of affordable housing in Fort McMurray, Alberta, over the next three years and provide opportunities for Suncor employee involvement.

TAKING CARE OF DAY CARE NEEDS

A creative alliance between Suncor and its Foundation, Syncrude Canada, Keyano College and the YMCA has helped to address a critical shortage of day care facilities in Fort McMurray, Alberta.

The shortage reflects both the positive and negative sides of rapid development in the Fort McMurray area. While companies such as Suncor are helping to create a growing number of jobs through oil sands development, local infrastructure has not been able to keep pace with the demand for some family services.

In 2001, Suncor and Syncrude approved the redesignation of two of the 20 units they had leased in the Keyano Family Housing Complex for the provision of a day care centre to be operated by the YMCA. The Suncor Energy Foundation then provided a donation to the YMCA to furnish the centre with the necessary equipment.

On February 4, 2002, the Ohpikowin (which means "growing up" in Cree) Childcare Centre, operated by the YMCA, opened its doors to accommodate 40 children, 18 months and older.

"By providing our child development programs in partnership with Suncor, Syncrude and Keyano, we build strong kids, strong families and strong communities," said Cathy MacDonald, president and CEO of the YMCA of Wood Buffalo. "The YMCA is proud of our partnerships in the community and Suncor has played a leadership role in assisting us in this important community initiative."

This is the second partnership between the YMCA and the Suncor Energy Foundation that has resulted in additional day care spaces for the community. In 2000, the Foundation donated \$65,000 to renovate the Birchwood School, increasing spaces at the Child Development Centre by almost 50%.



ROOM TO PLAY Community infrastructure means different things to different people. For young people, a healthy, safe play environment is high on the list. In 2001, Suncor teamed up with Fort McKay community members, working side by side to build a playground for children of all ages.

ABORIGINAL RELATIONS

Suncor has a very special relationship with Canada's Aboriginal Peoples. From northeastern British Columbia to the oil sands of northern Alberta and the Great Lakes of Ontario, many of our operations are close to Aboriginal communities. We believe responsible development must take into account their needs and expectations about the effect of industrial development on traditional land and resources, as well as the economic and social infrastructure of their communities.

WORKING TOGETHER The regional expertise and the potential pool of employees and local suppliers that Aboriginal communities offer is important to Suncor's success. And Suncor believes we can contribute to the success of Aboriginal communities through job training, employment and community services that accompany resource development. The key is mutual respect and the desire to work toward mutually beneficial solutions. We have come to understand that it is more effective to support our Aboriginal neighbours in realizing their own vision of economic and social prosperity than it is to assume their prosperity will naturally proceed from ours.

Recent agreements reached with the Athabasca Tribal Council (see "The Capacity to Tackle Anything", page 16) and Metis communities in the Athabasca region exemplify this collaborative and consultative approach. They are the latest in a series of joint or multi-party initiatives that aim to strengthen understanding and co-operation among the diverse parties in the area. Suncor has also signed Industry Relations Agreements with the Fort McKay, Athabasca Chipewyan and Mikisew Cree First Nations (see "An Uplifting Opportunity", page 53).

PROMOTING CULTURAL AWARENESS Suncor provides in-house Aboriginal awareness workshops to all Natural Gas and Renewable Energy operations, field and planning personnel to help them better understand Suncor's Aboriginal policy as well as the history, significant legal decisions, myths and misconceptions related to Canada's Aboriginal Peoples.

Cross-cultural training workshops are also conducted for drilling crews and other team members at the Firebag project. Residents of Fort McKay, a First Nations community located near the Firebag project, have supplemented Suncor training with presentations offering community perspectives on social, economic and environmental issues.



FUN AND GAMES Tia Anderson (left) and Stephanie Buck try the "finger pull," a traditional Dene Game that will be part of the Arctic Winter Games in 2004. The students were participating in the On the Move program at Anzac Community School. Sponsored in part by the Suncor Energy Foundation, On the Move brings clinics and courses into rural communities to ensure they can participate in the 2004 Arctic Winter Games. Suncor is also the corporate sponsor for Team Alberta North and the Arctic Sports/Dene Games.

WE RECOGNIZE THERE'S A GOOD DEAL AT STAKE IN ADDRESSING THE CHALLENGES OUR ENVIRONMENT AND SOCIETY ARE FACING TODAY. TO SOFTEN OUR ENVIRONMENTAL FOOTPRINT, SUNCOR IS WORKING TO REDUCE OUR CARBON EMISSIONS, CONSERVE WATER AND LANDSCAPES, RECLAIM DISTURBED LAND AND ADOPT COMPREHENSIVE APPROACHES TO ENVIRONMENTAL MANAGEMENT INTEGRATED INTO OUR MANAGEMENT PROCESSES AND PLANNING – FROM PROJECT DESIGN TO PRODUCTION.

*...a shared
environment*



ABORIGINAL RELATIONS

As a company, we are committed to the development of mutually beneficial relationships with the Aboriginal Peoples of Canada. We have a long history of working with the Aboriginal Peoples of Canada, and we are committed to continuing this tradition. We have a long history of working with the Aboriginal Peoples of Canada, and we are committed to continuing this tradition. We have a long history of working with the Aboriginal Peoples of Canada, and we are committed to continuing this tradition.

WORKING TOGETHER Suncor Energy Inc. and its subsidiaries are committed to the development of mutually beneficial relationships with the Aboriginal Peoples of Canada. We have a long history of working with the Aboriginal Peoples of Canada, and we are committed to continuing this tradition. We have a long history of working with the Aboriginal Peoples of Canada, and we are committed to continuing this tradition. We have a long history of working with the Aboriginal Peoples of Canada, and we are committed to continuing this tradition.

PROMOTING CULTURAL AWARENESS Suncor provides in-house Aboriginal awareness workshops for all Natural Gas and Renewable Energy operations and planning personnel to help them better understand Suncor's Aboriginal policy as well as the history, legal, legal decisions, myths and misconceptions surrounding Canada's Aboriginal Peoples.

Cross-cultural training workshops are also provided for drilling crews and other team members on new projects. Residents of Fort McKay, a First Nation located near the Firebag project, have participated in Suncor training with presentations on the company's perspectives on social, economic and environmental issues.

Working with the Athabasca Tribal Council, Suncor has developed a "Nothing is for Free" campaign to encourage responsible drinking exemplify

beranda a...

Fort McKay Athabasca

memorandum



FIN AND GAMES Tim Anderson (left) and Stephanie Buck try their hand at a new winter game that will be part of the Arctic Winter Games. The two athletes were participating in the On the Move program at Arctic Village, which is sponsored in part by the Suncor Energy Foundation. On the Move is a series of courses into rural communities to ensure they can participate in the Arctic Winter Games. Suncor is also the corporate sponsor for Arctic Village and the Arctic Sports/Dene Games.

WE RECOGNIZE **THERE'S A GOOD DEAL AT STAKE IN MINIMIZING THE IMPACTS OF SUNCOR'S OPERATIONS ON AIR, WATER AND LAND.** TO SOFTEN OUR ENVIRONMENTAL FOOTPRINT, SUNCOR IS WORKING TO REDUCE GREENHOUSE GASES AND OTHER EMISSIONS, PROTECT WILDLIFE AND LANDSCAPES, RECLAIM DISTURBED LAND AND ADOPT COMPREHENSIVE APPROACHES TO WATER MANAGEMENT. THESE GOALS ARE INTEGRATED INTO OUR MANAGEMENT PROCESSES AND PLANNING – FROM PROJECT DESIGN TO PRODUCT DELIVERY.



HOW ARE WE DOING? SUNCOR TAKES AN ECOSYSTEM APPROACH TO MINIMIZING OUR ENVIRONMENTAL IMPACTS BY CONSIDERING AIR, WATER AND LAND ON A REGIONAL AND GLOBAL BASIS. THIS PAGE PROVIDES AN AT-A-GLANCE LOOK AT SOME OF THE AREAS WHERE WE'VE MADE PROGRESS AND WHERE MORE WORK IS REQUIRED. EFFORTS ARE UNDER WAY TO SET LONG-TERM TARGETS FOR KEY PERFORMANCE INDICATORS THAT WILL BE INCLUDED IN FUTURE REPORTS.

INDICATOR	1998	2002	PROGRESS
GHG EMISSIONS (thousand tonnes CO ₂ equivalent/year)	5 893	8 799	↓
CO ₂ EMISSION INTENSITY (thousand tonnes CO ₂ equivalent/tonne of oil produced)	0.044	0.045	→
SULFUR DIOXIDE EMISSIONS (thousand tonnes/year)	30.3	33.6	↓
SULFUR DIOXIDE EMISSION INTENSITY (thousand tonnes CO ₂ equivalent/tonne of oil produced)	1.97	1.98	↑
HAZARDOUS WASTE/HAZARDOUS WASTE TREATED (thousand tonnes/year)	1 073	1 180	↑
NON-HAZARDOUS/HAZARDOUS WASTE TREATED (thousand tonnes/year)	1 008 000	1 008 000	↑
WATER REUSE/RECYCLED WATER (thousand tonnes/year)	13.4	100.4	↓
LAND RECLAIMED (% of land disturbed)	18	10	↓

DOING WHAT'S RIGHT SUNCOR'S WILLINGNESS TO TAKE THE LEAD AND BE PROACTIVE SETS US APART FROM THE COMPETITION. EVEN BEFORE WE BEGAN TO REPORT ON OUR PROGRESS USING THE GUIDELINES OF THE GLOBAL REPORTING INITIATIVE, WE EMBRACED THE SPIRIT OF WHAT IS REFERRED TO AS THE 'PRECAUTIONARY PRINCIPLE'. THIS APPROACH IS REFLECTED IN SUNCOR'S CLIMATE CHANGE ACTION PLAN AND INVESTMENTS IN RENEWABLE ENERGY, AS WELL AS OUR SUPPORT OF THE CUMULATIVE ENVIRONMENTAL MANAGEMENT ASSOCIATION. THROUGH THESE INITIATIVES AND OTHERS, WE HAVE DEMONSTRATED A PROACTIVE APPROACH TO ISSUES RELATING TO HUMAN HEALTH AND THE ENVIRONMENT, EVEN IN THE ABSENCE OF FULL SCIENTIFIC EVIDENCE OF HARM.

AIR

BY IMPROVING ENERGY EFFICIENCY, USING NEW, CLEANER TECHNOLOGIES AND ADOPTING OFFSET INITIATIVES THAT PROMOTE EMISSION REDUCTIONS OUTSIDE OUR COMPANY, SUNCOR IS WORKING TO MAINTAIN AND ENHANCE AIR QUALITY AS OUR ENERGY PRODUCTION INCREASES.

TAKING ACTION ON CLIMATE CHANGE

Suncor is committed to aligning with national and international commitments on greenhouse gases (GHGs). We are currently revising our GHG targets to conform to, or where appropriate exceed, government policies currently under development. We believe addressing the issue of climate change benefits more than the environment. It also results in actions that increase efficiency, reduce energy costs and minimize waste.

Suncor's early efforts to address GHG emissions began in 1994. By 1997, prior to the Kyoto Protocol, we had developed a comprehensive and voluntary climate change action plan that continues to guide our efforts to address climate change under the following seven points:

- managing our own greenhouse gas emissions;
- developing renewable sources of energy;
- investing in environmental and economic research;
- using domestic and international offsets;
- collaborating with governments and other stakeholder groups on policy development;
- educating our employees and the public; and
- measuring and reporting our progress.

Managing our own emissions is the first priority but this plan also calls for finding creative ways to tackle climate change issues.

For example, Suncor has joined the US\$24 million CO₂ Capture Project, a coalition of major energy companies that supports research into the viability of injecting waste carbon dioxide into underground storage reservoirs. Other research initiatives that Suncor supports include the BioCap initiative, which is researching how forests and farmlands impact climate change, and the Clean Energy Laboratory at the University of British Columbia, which will specialize in alternative and renewable forms of energy.

By investing in research and new technologies and working to develop new sources of energy, Suncor is working to reduce GHG emissions while remaining competitive in a global industry.

THE COST OF KYOTO When the Canadian government ratified the Kyoto Protocol in December 2002, Suncor was the first member of Canada's energy industry to come forward with a cost analysis that showed compliance should not have a material impact on our business.

The Kyoto Protocol commits the country to reducing GHG emissions to 6% below 1990 levels over the period 2008 to 2012. With its ratification of the Protocol, the Canadian government committed the oil and gas sector to meeting a maximum reduction obligation of 15% below business-as-usual emission intensity by 2010. The federal government also placed a maximum cost on oil and gas producers of \$15 per tonne of carbon dioxide equivalent toward meeting emission reduction responsibilities.

Based on these commitments, Suncor estimates the maximum cost exposure of Kyoto compliance to our company would be between \$0.20 to \$0.27 per barrel of oil. While any increase in production costs is cause for concern, we are aggressively seeking ways to reduce GHG emissions and realize economic benefits simultaneously. Actions to date have resulted in an 18% reduction in emission intensity since Kyoto's 1990 baseline and we are continuing to work toward further reductions.

As federal government plans are further developed, the Province of Alberta is also advancing plans for addressing greenhouse gas emissions. We believe the common interest of both levels of government in development of Canada's oil sands resource provides assurance that climate change policies will ultimately be complementary and responsible over the long term from both an economic and environmental perspective.

GREENHOUSE GAS EMISSIONS

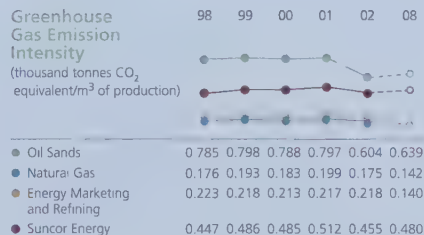
Better measurement and recording of our energy use and emissions are key to enhancing energy efficiency. That's why Suncor began developing a GHG management system in 2002, one of only a few global energy companies to launch such a program. Aligned with the ISO 14001 framework, the new system is planned to help Suncor identify and better track emissions, optimize reductions and provide verifiable reporting.

With a proposed expansion that would increase production to more than half a million barrels per day by 2010 to 2012, Suncor faces a major challenge. Higher production will lead to increased GHG emissions. For

example, in 2002, GHG emissions totalled 8.79 million tonnes. This is a 49% increase over 1998 due to the significant increase in oil sands production. Since the Kyoto baseline year of 1990, however, emission intensity (emissions per unit of production) has decreased by 18%, despite a total production increase of 119%. This reflects company-wide progress in reducing emission intensity through the adoption of new technologies and better energy management practices.

BUSINESS UNIT PERFORMANCE Oil Sands accounts for more than 80% of GHG emissions from our operations. Total GHG emissions in 2002 at Oil Sands were 70% higher than 1998 levels due to increased production, but emission intensity dropped by 23% during the same period as a result of energy reduction activities, such as the installation of new, higher-efficiency equipment.

Natural Gas recorded a decrease in GHG emissions of 11% since 1998, reflecting Suncor's decision to divest conventional oil development in favour of natural gas, which is less energy-intensive to produce. Consolidation of two sour gas processing facilities at Suncor's Rosevear facility, located near Edson, Alberta, also contributed to the emissions decline.



Energy Marketing and Refining (EM&R) continues to reduce GHG emissions. Both total GHG emissions and intensity are below 1990 levels. The decrease in emissions is the result of a broad suite of direct and indirect reduction initiatives, ranging from energy conservation to production of ethanol-enhanced fuels. Since 1998, there has been a decrease of 19% in absolute GHGs and a 16% reduction in emission intensity, including the impact of offsets.

For more details on our climate change action plan and a further breakdown of emissions sources, see Suncor's Annual Progress Report to Canada's Voluntary Challenge and Registry at www.suncor.com.

SEQUESTERING CARBON DIOXIDE (CO₂) In a joint venture with industry partners and the governments of Canada and Alberta, Suncor is investigating injection of CO₂ into subsurface coal reservoirs to enhance production of coal bed methane while locking waste CO₂ into the coal seam. A pilot well completed in 2003 indicated limited ability to inject CO₂ into the reservoir. A search for an alternate project location with more suitable reservoir geology is under way. Work is also under way to evaluate the potential of sequestering CO₂ using oil sands tailings.

SHUTTING THE DOOR ON OZONE-DEPLETING SUBSTANCES Oil Sands, the only user of ozone-depleting substances among Suncor's businesses, reduced emissions of chlorofluorocarbon 11 (CFC-11) equivalents in 2002 to 7.5 kg, a drop of more than 65% from 2000 levels. CFCs were used in older cooling and air conditioning systems. Oil Sands no longer accepts delivery of any equipment containing CFCs and has revamped existing equipment with the aim of minimizing emissions. Halons, another group of ozone-depleting substances, are no longer used on the Oil Sands site.

IMPROVING ENERGY EFFICIENCY

Finding new ways to improve energy efficiency is important for the reduction of greenhouse gas emissions. Over a five-year period, Suncor's overall energy use has increased by 51% as a result of growing production. However, each of Suncor's businesses recorded a decline in energy intensity (energy per unit of production) over the same period.

Energy Use
(millions of gigajoules)



BUSINESS UNIT PERFORMANCE Total energy consumption in 2002 at Oil Sands was almost 85% higher than 1998 levels, as production more than doubled. However, in the same period, a 17% reduction in energy intensity was recorded as new equipment and processes were implemented and fixed energy inputs were spread over increased production. The operation of cogeneration and gas turbine power generation facilities in 2002 resulted in a dramatic decrease in power imported from the Alberta electricity grid.

In Natural Gas, total energy consumption and energy intensity were both down significantly, primarily as a result of divestments of conventional oil properties in 2001 and plant consolidation in 2002.

EM&R's energy use and energy intensity both decreased between 1998 and 2002. The provision of steam and electricity from the nearby TransAlta cogeneration facility, which began in October 2002, is expected to further improve energy efficiency going forward.

Energy Intensity
(GJ/m³ of production)



SULPHUR DIOXIDE

Sulphur dioxide (SO₂) emissions contribute to acid rain, which damages lakes, forests and fish populations and poses a threat to human health.

Company-wide, SO₂ emissions have increased only slightly since 1998, from 69.5 tonnes per day to 73.6 tonnes per day. However, SO₂ emission intensity has improved by 27% during the same period.

BUSINESS UNIT PERFORMANCE Expansion and associated start-up conditions at Oil Sands contributed to an increase in SO₂ emissions in 2001, but by 2002 both absolute emissions and emissions per unit of production were on the decline. Extensive flaring to purge new equipment and high SO₂ in the tail gas during commissioning of the sulphur recovery plant contributed to unusually high SO₂ emissions in 2001. A drop in SO₂ emissions and emission intensity was recorded in 2002 with the implementation of newer, more efficient

sulphur recovery technology. The average SO₂ emission intensity for 2002 was 50% below the average for 1998.

The natural decline in sour gas reserves processed at the Simonette and Rosevear gas plants account for the steady five-year decrease in total SO₂ emissions for Natural Gas. SO₂ emission intensity has also decreased as the ratio of sour gas processing compared to overall production levels has decreased.

EM&R reported a 12% increase in SO₂ emissions in 2002, compared to 1998, as a result of higher levels of sulphur in the feedstock at the Sarnia refinery. Despite this, the refinery has one of the lowest levels of SO₂ emissions and emission intensity among Canadian refineries and benchmarks well against comparable U.S. facilities. Work is in progress to improve the efficiency of the on-site sulphur recovery unit. By increasing the amount of sulphur recovered, less SO₂ is emitted to the atmosphere.

The regulatory landscape for SO₂ emissions is expected to change in Ontario with the introduction in 2004 of an emissions trading regulation for SO₂ in the refining sector. Suncor expects to be in a surplus position – emitting less than our regulated levels – when the regulation comes into force.

SO₂ Emissions
(tonnes/day)



SO₂ Emission Intensity
(kg/m³ production)

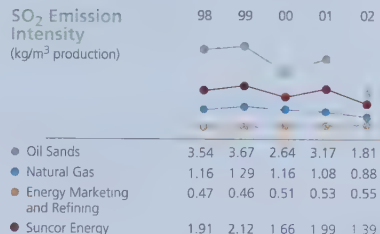


Photo courtesy of Williams Energy (Canada) Inc.

A PURIFYING PARTNERSHIP Since 2001, Williams Energy (Canada) Inc. has operated new facilities at Oil Sands that strip valuable liquids such as propane, butane, propylene and sulphur compounds from the off gas produced in oil sands coking process. The gas remaining after the liquids are removed is returned to Oil Sands and used as fuel, resulting in a reduction in sulphur emissions of five to eight tonnes per day – an example of taking an integrated approach to sustainable development with an economic and environmental win.

NITROGEN OXIDES

When nitrogen oxides (NO_x) and volatile organic compounds (VOCs) react with sunlight and warm temperatures, they cause smog. This can affect human and ecosystem health.

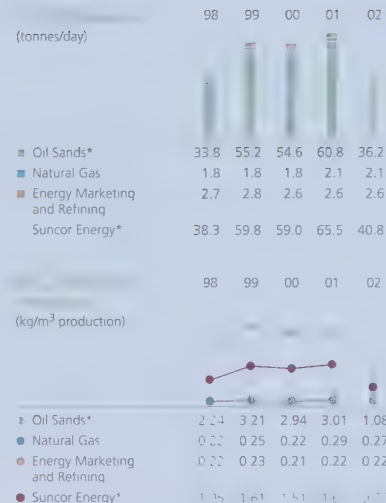
BUSINESS UNIT PERFORMANCE A NO_x Management Committee was formed at Oil Sands in 2002 to better identify sources of NO_x and opportunities to reduce emissions. The committee recommended improvements to the emission calculation methodology used, so a more complete and accurate assessment of emissions could be gathered. This resulted in a switch from using generalized emission factors to using

equipment-specific operating data from each source Suncor intends to use this information to target NO_x reduction opportunities.

As a result of this change in methodology, direct comparison between 2001 and 2002 numbers is not possible. However, progress on reducing NO_x continues through actions such as replacing older model mine trucks at Oil Sands with equipment that has more efficient, low- NO_x engines. This action reduced emissions by approximately one tonne per day.

NO_x emission intensity was down marginally at Natural Gas in 2002 compared to 2001, primarily as a result of the consolidation of two natural gas processing plants

At EM&R, where NO_x is mainly a product of combustion from unit heater emissions, NO_x was reduced in 2002 by retrofitting heaters with low- NO_x burner technology. A reduction in refinery flare gas burning was also accomplished to lower NO_x emissions.



*IN 2002 IMPROVEMENTS IN METHODS WERE INTRODUCED. DATA CANNOT BE COMPARED TO REPORTING WILL BE COMPARABLE NEW METHODOLOGY



WATERING DOWN NO_x EMISSIONS From May 2002 to December 2002, Suncor supplied 10 Transit Windsor buses with PuriNOx™ fuel, a diesel blend developed by The Lubrizol Corporation. The fuel is composed of up to 20% water and 3% additive, with the remainder diesel fuel. During the pilot project, use of the watered-down fuel resulted in a 20% reduction in NO_x emissions and a 60% reduction in particulate emissions.

VOLATILE ORGANIC COMPOUNDS

Volatile organic compound (VOC) emissions at Oil Sands, including benzene, toluene, ethylbenzene and xylene, are primarily emitted from tailings ponds. EM&R's Sarnia refinery releases VOC emissions during refining, storage and distribution of hydrocarbons, while in Natural Gas, glycol dehydrators used to remove water from natural gas are the main source of emissions.

Suncor's VOC emissions data is included in our submission to Canada's National Pollutant Release Inventory (NPRI). In 2002, criteria air contaminants (CACs) were added to the reporting substance list, significantly increasing the overall NPRI figures. CACs include carbon monoxide, NO_x, SO₂, particulate matter (PM2.5 and PM10), total particulate matter and VOCs.

BUSINESS UNIT PERFORMANCE Changes in the VOC reporting thresholds beginning in 2002 resulted in a significant increase in Oil Sands emissions as reported to NPRI. Applying consistent measurement methodology across the three-year period indicates an increase in VOC emissions of approximately 30% in 2002 from 2000. The increase in emissions is considerably less than the corresponding increase in crude oil production as a result of improved operating systems at the facility.

Optimization and reduction in the number of glycol dehydrators contributed to lower VOC emissions at Natural Gas.

VOC emissions at EM&R's Sarnia refinery dropped in 2002 from 2001, due to an active leak detection and repair program and implementation of an improved oil handling plan.



SERGIO MOLICA ENVIRONMENTAL HEALTH AND SAFETY,
ENERGY MARKETING AND REFINING – CANADA

CAPTURING FUGITIVES At the Sarnia refinery, employees regularly monitor valves that might be leaking volatile organic compounds like benzene and toluene. These “fugitive VOCs” contribute to smog. Frequent inspection allows problem valves to be spotted and replaced quickly.



FLARING

Flaring, or the burning of natural gas and solution gas that is not captured for energy production, occurs at Suncor's oil sands upgrading facilities, gas processing plants and well sites as part of normal business operations. Flaring also occurs at Suncor's oil sands facilities and Sarnia refinery as a safety precaution during operational upsets. Rather than releasing hydrocarbon vapours directly to the air, flaring converts dangerous components such as hydrogen sulphide to less harmful substances.

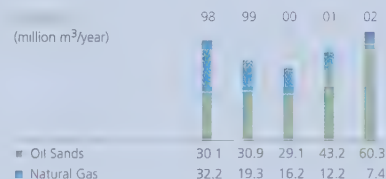
BUSINESS UNIT PERFORMANCE Despite efforts under way at Oil Sands, the total volume of gas flared continues to increase as a result of increased production. However, since 1998, there has been a general trend that shows declining flaring intensity. Higher emission intensity was experienced in 2001 as a result of start-up and commissioning of new upgrading facilities, when purging and pressure releases of hydrocarbons were often a required safety measure. Flare gas intensity dropped in 2002, as higher levels of operational control and stability were achieved at the new facilities.

Natural Gas undertook an initiative in 2000 to reduce the volume of gas flared during the completion and production testing phases of development gas wells. In 2002, 70% of the entire well test volume was produced and sold as gas, rather than flared. This was accomplished by advancing the installation of the pipeline and surface facilities.

In addition to reducing flaring, Natural Gas has also taken measures to decrease gas venting. In 2001, 40 locations were identified in northern British Columbia and Alberta where operating conditions permit the use of high-efficiency gas driven pumps that reduce waste gas

venting. A quarter of the new pumps allow the waste gas to be captured and reinjected into the sales line, while the remaining pumps use a fraction of the gas required to power normal pumps. This has resulted in a 96% reduction in pump exhaust gases vented to the atmosphere.

Good management practices and steady state operations at the Sarnia refinery have also helped reduce flaring activities at EM&R. The refinery flare is a safety feature that burns hydrocarbon vapour during upset conditions. During normal operation, every attempt is made to minimize flaring.



THE CLEAN AIR COMMUTE Every year, Suncor joins Pollution Probe in a Clean Air Commute™ that sees our Toronto employees and 6,000 participants from 150 other companies head off to work by foot, bike, bus, car pool and even rickshaw. The 2002 results: 250 tonnes of pollutants avoided in five days.

WATER

WATER IS A RENEWABLE BUT FINITE RESOURCE THAT HAS INCREASINGLY BECOME THE FOCUS OF LOCAL, NATIONAL AND WORLDWIDE ATTENTION. THE IMPORTANCE OF RESPONSIBLE WATER USE IS DEMONSTRATED BY BOTH THE ALBERTA GOVERNMENT'S COMPREHENSIVE CONSULTATION STRATEGY *WATER FOR LIFE* AND THE UNITED NATIONS' DESIGNATION OF 2003 AS THE INTERNATIONAL YEAR OF FRESHWATER. SUNCOR IS UNDERTAKING A COMPANY-WIDE ASSESSMENT OF INTERNAL WATER MANAGEMENT PRACTICES TO IDENTIFY OPPORTUNITIES FOR IMPROVEMENT.

MAKING THE MOST OF WATER RESOURCES

Total water withdrawn by Suncor increased in both 2001 and 2002 to support production expansion at Oil Sands – but water use per unit of production decreased during the same period.

BUSINESS UNIT PERFORMANCE Oil Sands withdrew approximately 67 million cubic metres of water from the Athabasca River in 2002, primarily due to expanded production. Approximately 12% of that volume was discharged to the river. Most of the discharged water

was “once through” cooling water – volumes that make a single pass through closed cooling systems. The remainder was process effluent, which is treated prior to discharge to ensure quality standards.

Natural Gas uses some well water for utility purposes in their gas processing facilities. Natural Gas does not have any enhanced oil recovery injection operations that use surface or ground water sources. All Natural Gas sour processing facilities use collection ponds to contain surface runoff water from rainfall and snowfall from the plant sites. The water is treated to ensure permit contaminant limits are not exceeded and is then

discharged to the natural surface water course. All water released from these ponds is metered, recorded and reported to Alberta Environment.

The St. Clair River is the primary water source at EM&R's Sarnia refinery. In 2002, 28.7 million cubic metres of water were withdrawn from the river, with 99% of it used for process cooling. Most of that water is returned to the river after treatment. In addition, water from rainfall, snowfall, potable municipal water, condensing steam and water stripped out during the refining process is treated and returned to the river.

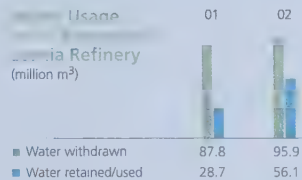


TESTING THE WATERS Suncor's mine runoff ponds are monitored to ensure water quality meets discharge standards. No exceedance of regulatory standards was recorded at Oil Sands in either 2001 or 2002.

RECYCLING WATER AT FIREBAG

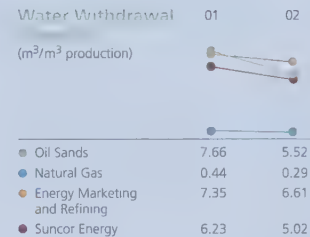
The Firebag In-situ Oil Sands Project is expected to play a major role as a future bitumen source for Oil Sands expansion. Firebag uses steam assisted gravity drainage, which involves injecting steam into bitumen deposits that are too deep to mine. The steam heats the bitumen, lowering its viscosity so it can be pumped to the surface.

Approximately two cubic metres of water are used for each cubic metre of bitumen produced. About 95% of that water is recovered and recycled back into the steam generators, forming a continuous loop. The initial water volume and the bulk of the make-up water required for steam generation is derived from wastewater streams from the Oil Sands facility. Supplemental water is also supplied from surface runoff ponds that collect rain and snowmelt from the plant site.



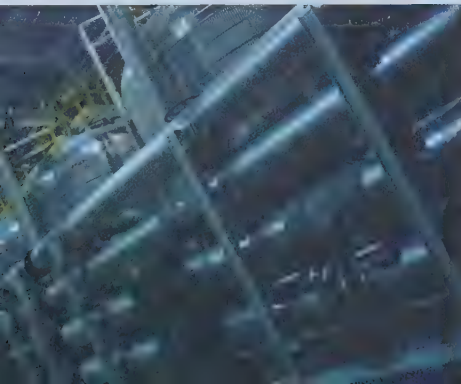
INCREASES IN THE VOLUME OF WATER DRAWN FROM THE ATHABASCA RIVER AND RETAINED ON-SITE AT OIL SANDS IN 2001 AND 2002 WERE REQUIRED FOR THE CREATION OF NEW TAILINGS PONDS RESULTING FROM INCREASED PRODUCTION

Making every drop of water count is just part of a Firebag-wide initiative to recycle. The recycling of paper, cardboard, plastic containers, used oil and lubricant, scrap steel, kitchen grease, printer cartridges and oil filters is standard operating practice for the project



WATER WITHDRAWAL INTENSITY DECREASED BETWEEN 2001 AND 2002 DESPITE THE INCREASE IN WATER RETENTION/USE

A CONTINUOUS LOOP Water used at the Firebag In-situ Oil Sands Project is filtered and treated before recycling. The first phase of the project is expected to recycle more than 5,000 cubic metres of water per day.



LAND AND BIODIVERSITY

LAND PLAYS AN INTEGRAL ROLE IN PRESERVING BIODIVERSITY. THE CONTINUED PURSUIT OF GOOD LAND MANAGEMENT PRACTICES IS KEY TO BEING A RESPONSIBLE ENERGY COMPANY.

BIODIVERSITY, OR BIOLOGICAL DIVERSITY, REFERS TO THE VARIETY OF ALL LIFE FORMS AND THEIR INTERACTIONS WITH EACH OTHER AND WITHIN ECOSYSTEMS. SINCE 1992, MORE THAN 180 COUNTRIES, INCLUDING CANADA, HAVE ADOPTED THE CONVENTION ON BIOLOGICAL DIVERSITY, WHICH COMMITS ALL SIGNATORY COUNTRIES TO CONSERVE BIODIVERSITY, USE BIOLOGICAL COMPONENTS IN A SUSTAINABLE MANNER, AND SHARE EQUITABLY IN THE BENEFITS ARISING FROM USE.

Suncor is committed to developing resources using methods that minimize impacts on biodiversity. Regulations ensure Suncor establishes equivalent capability on reclaimed sites so lands are capable of supporting biodiversity.

With the proposed expansions at Oil Sands, Suncor has developed a program that includes a component to protect the regional terrestrial ecosystem by following good land management practices, monitoring and updating a Caribou Protection Plan and investing in

regional biodiversity and land offset programs through the Suncor Energy Foundation.

In addition to direct activities, Suncor is involved in a number of stakeholder partnerships and regional associations that support biological diversity. We actively participate in the Cumulative Environmental Management Association (CEMA), an independent collaborative organization established to develop recommendations on how best to reduce potential long-term environmental impacts due to industrial development in northeastern

Alberta. Working groups of CEMA study biodiversity, reclamation, fish and wildlife habitat and landscape diversity.

Suncor is also a member of the Regional Aquatics Monitoring Program, which gathers information on the cumulative effects on the aquatic environment of all developments in the Athabasca oil sands region, and the Wood Buffalo Environmental Association, which manages a network of air monitoring stations throughout the Fort McMurray, Alberta, region.



A SYMBOL OF CANADIAN WILDERNESS

When you track grizzly bears, you track the health of the environment. That's because grizzlies are what biologists call an indicator species. Their health reveals the condition of the ecosystem around them. When we take actions to protect grizzly bears, we also ensure the protection of many other wild species.

The five-year Foothills Model Forest Grizzly Bear Research Project, sponsored in part by Suncor's Natural Gas

business, collects information about grizzly populations, age, reproduction, habitat conditions, movements and response to people across some 5,300 square kilometres. The idea is to enable natural resource managers to conserve grizzly bears and their habitat throughout west-central Alberta. Gord Stenhouse (right in photo), lead researcher on the project, says, "The long-term conservation of the grizzly bear will require that all stakeholders in our society fully recognize the needs of this species and determine ways that we can coexist on the landscape that we share."

WATCHING THEIR STEP

Part of Suncor's focus on reducing our environmental footprint during construction and other activities involves keeping an eye out for the movement of wildlife.

In 2002, we became the industry leader in reducing the footprint of seismic line construction. Traditionally, major pathways for seismic lines are about four metres wide, broad enough for predators such as wolves to gain an advantage over caribou. After consulting with local First Nations trappers and other stakeholders, Suncor worked with Command Equipment Ltd. to build customized equipment that narrowed the seismic lines to a minimum of 1.75 metres, reducing the wolves' sightlines of the caribou and reducing overall clearing substantially.

This innovative approach includes use of customized "mulchers" when clearing the seismic line path. The trees removed are mulched into chips and spread into the forest, where they are naturally composted. As a replacement for bulldozers and chainsaws, mulchers significantly reduce soil disturbance and decrease the slash or wood remnants left behind – a potential safety hazard. Don Pope, land management forester at Alberta-Pacific

Forest Industries Inc., says, "Suncor has surpassed other industries in limiting its footprint by doing what it can to actively work towards protecting the prospect of the boreal north."

OFFSETS IN THE BOREAL FOREST

The boreal forest, covering one-third of Canada, is a critical habitat for thousands of plant and animal species, home to 85% of our Aboriginal Peoples and a key regulator of climate change. As a result of increasing natural resource development in northern Canada, parts of the boreal forest are now becoming fragmented.

The scale of mining undertaken by Suncor and other oil sands developers is one reason for the growing patchwork of boreal habitats in northern Alberta. When mining is complete on existing Suncor leases, more than 14,000 hectares of boreal habitat will have been altered. Suncor is continuing to develop long-term reclamation plans for these lands and is also helping to protect ecologically sensitive land that lies outside of our leases.

Suncor began discussions in 2002 with the Alberta Conservation Association (ACA) and Alberta Parks to identify areas where boreal habitat could be protected.

The ACA identified Winagami Lake in northern Alberta as critical boreal habitat due to the diversity of wetland habitat and because of threats to the shoreline from human activities, which impact nutrient levels in the lake. With a \$200,000 donation from the Suncor Energy Foundation, the ACA is securing portions of lakeshore to be preserved and conserved for future generations to come. The boreal habitat will be donated to Alberta Parks to expand an existing provincial park.

Trevor Thera, director of Operations and Strategy for the ACA, says, "Conservation of Alberta's natural resources is a huge undertaking and we've found the best way to make progress is by working with others, in particular those organizations who are already directly involved with natural resources. We believe conservation doesn't necessarily have to impede industry's progress. Collaborating with resource companies like Suncor can maximize our association's positive impact while at the same time supporting those companies in meeting their sustainability goals."



PROTECTING UNIQUE HABITATS

The Nature Conservancy of Canada (NCC) plays a key role in conserving ecologically significant habitats and ecosystems across Canada. In 2002 the Suncor Energy Foundation made two donations to the NCC – \$200,000 to the conservation of Horseshoe Canyon near Drumheller, Alberta, and \$100,000 to the conservation of Bickford Oak Woods near Sarnia, Ontario.

Bickford Oak Woods is the largest private woodland in Lambton County, a region with a mere 8% of forest

cover remaining, and the largest Clay Plain forest in the Carolinian Zone outside of First Nations land. The preservation of Bickford Oak Woods became even more important with the discovery of 63 swamp cottonwood trees, a tree native to the southern United States and not previously found in Canada. Dr. John Ambrose (left in photo) and author Gerry Waldron (right in photo) discovered the swamp cottonwoods. "This single stand of trees just may circumscribe the entire range of swamp cottonwood trees in Canada – therefore Bickford Oak Woods' role in protecting our nation's biodiversity is critical, based on this species alone," says Waldron.

MINIMIZING OUR FOOTPRINT

With the ongoing expansion of production at Oil Sands, the tonnage of oil sands mined increased in both 2001 and 2002, resulting in more total land disturbance. There was also a proportionate rise in the number of hectares reclaimed.

Most of the land disturbed by Suncor's activities is associated with surface mining at Oil Sands, where the total cumulative land disturbed since start-up covers 7,610 hectares. Land is reclaimed after mining at Oil Sands through a process that includes contouring to develop natural appearance, provide suitable drainage and minimize erosion through the application of soil, seeding with barley and planting native trees and shrubs. To date, 732 hectares of land have been reclaimed – about 10% of the total land disturbed since operations began in 1967.

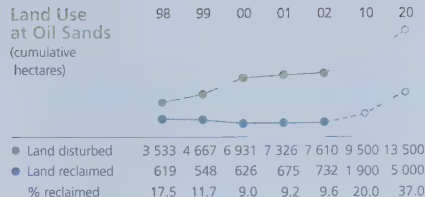
Surface area affected by tailing ponds – the water, clay, sand and residual bitumen produced during the extraction process – also grew as Oil Sands production increased. Suncor is continuing to use consolidated tailings (CT) technology at these ponds to accelerate the settling of tailings and speed up their conversion into dry, solid land.

An internal study to evaluate CT against other tailings technologies was completed in early 2002. It concluded that CT continues to be the most cost-effective alternative with the highest level of proven technology to achieve Suncor's long-range plans, including reclamation of all ponds within the life of the mine, or by approximately 2030. Discharge rates to the Athabasca River will increase if regulatory approval is received to release water recovered through the use of CT technology.

CUTTING DOWN ON WASTE Following peak levels in waste generation during the busy construction period between 1999 and 2001, waste levels plunged at Oil Sands in 2002. This was most noticeable in the categories of hazardous and non-hazardous waste disposed of on-site, and wastes sent off-site for reuse, recycling or recovery.

In Natural Gas, substantial increases in non-hazardous waste sent for off-site disposal in 2002 came from two main sources. The first was drilling waste that was sent to a treatment site in Saskatchewan from drilling operations in the Alberta Foothills. The second major source of waste sent off-site resulted from Suncor's response to stakeholder concerns that their food chain was being

Land Use at Oil Sands (cumulative hectares)



PROJECTIONS FOR LAND DISTURBANCE ARE BASED ON APPROVED PLANS FOR DEVELOPMENT

contaminated – wildlife was consuming water and forage near flare pits on traditional lands in the Blueberry area north of Fort St. John, British Columbia. Suncor's reclamation group excavated approximately 12,500 cubic metres of contaminated soil and hauled it to a secure landfill near Peace River, Alberta.

Waste generated and sent off-site at EM&R's Sarnia refinery was also up as a result of two major storage tank clean outs in 2002, part of a 20-year cleaning cycle, which generated an additional 4,000 tonnes of solid waste.



PHOTO RADAR CATCHES SPEEDING WILDLIFE To help animals move freely and safely, Suncor has built crossings over the pipelines used at our Firebag In-situ Oil Sands Project. Cameras activated by motion have caught caribou, bears and coyotes using the crossings to move freely across their home ranges.

...prosperity

TO STAY IN BUSINESS, SUNCOR MUST BE COMPETITIVE. THAT MEANS WE MUST CONTINUE TO GROW OUR BUSINESS IN A WAY THAT RECOGNIZES WHAT'S AT STAKE – NOT ONLY FOR SHAREHOLDERS AND EMPLOYEES, BUT FOR THE PEOPLE, INTEREST GROUPS AND GOVERNMENTS WHO MAKE UP THE COMMUNITIES IN WHICH WE OPERATE. RESPONDING TO STAKEHOLDERS MEANS ACHIEVING COMPETITIVE RETURNS, CREATING WELL-PAID JOBS, GENERATING ECONOMIC GROWTH AND REGIONAL BENEFITS, SUPPORTING RESEARCH AND DEVELOPMENT, AND INVESTING IN WHAT CUSTOMERS DEMAND: NEW SOURCES OF ENERGY AND PRODUCTS THAT HAVE LESS IMPACT ON THE ENVIRONMENT



HOW ARE WE DOING? AS WE WORK TO BUILD SHAREHOLDER VALUE, SUNCOR IS ALSO HELPING TO BUILD REGIONAL, PROVINCIAL AND NATIONAL ECONOMIC SUCCESS. THIS PAGE PROVIDES AN AT-A-GLANCE LOOK AT SOME INDICATORS FOR ECONOMIC PERFORMANCE, DEMONSTRATING WHERE WE'VE MADE PROGRESS AND WHERE MORE WORK IS REQUIRED. EFFORTS ARE UNDER WAY TO SET LONG-TERM TARGETS FOR KEY PERFORMANCE INDICATORS THAT WILL BE INCLUDED IN FUTURE REPORTS.

INDICATOR	1998	2002	PROGRESS
PRODUCTION			
NATURAL GAS (million cubic metres/day)	112	108	↓
CRUDE OIL & NATURAL GAS LIQUIDS (thousand barrels of oil equivalent/day)	109.9	209.7	↑
REFINED FUEL OIL (million barrels/year)	11.8	14.6	↑
THANE (PRICE) (average trading price per unit)	11.00	20.00	↑
NET EARNINGS (million)	100	96	↑
CONSUMPTION FROM OIL & NATURAL GAS (million)	100	100	↑
REVENUES (\$ millions)	2 070	4 904	↑
CRUDE OIL & NATURAL GAS LIQUIDS (thousand barrels of oil equivalent/day)	109.9	209.7	↑

RESPONSIBLE GROWTH

A KEY MEASURE OF ECONOMIC PERFORMANCE IS SUNCOR'S ABILITY TO GENERATE VALUE FOR OUR SHAREHOLDERS. SINCE BECOMING PUBLICLY TRADED IN 1992, SUNCOR HAS GENERATED TOTAL ANNUAL SHAREHOLDER RETURNS AVERAGING MORE THAN 25%. THE LONG-TERM GROWTH OF SUNCOR'S SHARE PRICE IS A REFLECTION OF INVESTOR CONFIDENCE IN OUR STRATEGY TO DEVELOP OUR BUSINESS IN A WAY THAT IS BOTH PROFITABLE AND RESPONSIBLE.

MEETING THE RIGHT CRITERIA

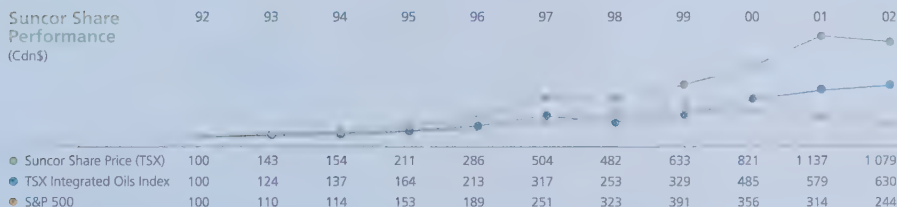
Suncor is proud to be included in three key indexes for socially and environmentally responsible investing:

1 In 2003, Suncor was named to the Dow Jones Sustainability Index (DJSI) for the fifth consecutive year. The DJSI recognizes the top 10% of companies worldwide based on social, environmental and economic criteria.

2 The Jantzi Social Index (JSI) has listed Suncor each year since its inception in 2000. Consisting of 60 Canadian companies, the JSI provides investors with a benchmark of financial performance for socially and environmentally screened companies.

3 The FTSE Group, a leading global index provider, designed the FTSE4Good Index to serve as a benchmark performance measurement tool. To be included in FTSE4Good, companies must meet selection criteria on environmental sustainability, relationships with stakeholders and support of human rights.

Suncor Share Performance (Cdn\$)



THIS CHART SHOWS THE TOTAL CUMULATIVE RETURN, ASSUMING THE REINVESTMENT OF DIVIDENDS, OF \$100 INVESTED ON DECEMBER 31, 1992, IN SUNCOR COMMON SHARES

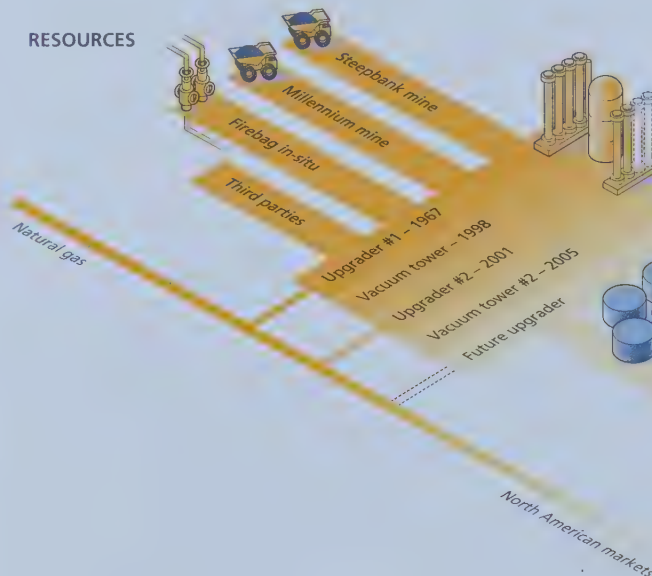
SUNCOR'S BUSINESS STRATEGY

Suncor's integrated business strategy is based on developing the huge resources of the Athabasca oil sands. We use cost-effective manufacturing technology to upgrade oil sands to marketable products, while our natural gas production helps offset internal energy use. Natural gas, crude oil and refined products are transported to the North American energy market through a variety of long-term contracts and our own refining and retail network, providing greater stability to sometimes volatile commodity markets.

Since 1992, Suncor has steadily built on the three strategic pillars of **resources**, **production** and **markets**. Our oil sands resource base has increased with the addition of new mining leases and advanced plans to recover in-situ resources. And, we've more than tripled our oil sands production through improvements to our original upgrader and the addition of a second complete upgrader in 2001. In 2002, Suncor produced an average of nearly 240,000 barrels of oil equivalent per day, an increase of more than 50% from 2001 and up more than 275% from 1992.

In the downstream, we've built long-term customer relationships and strengthened our connection to the largest energy market in the world – the United States – with the acquisition in 2003 of a refinery in Denver and related pipeline and retail assets. We believe this integrated strategy that connects a long-life resource base to growing markets provides a solid foundation for economic returns well into the future.

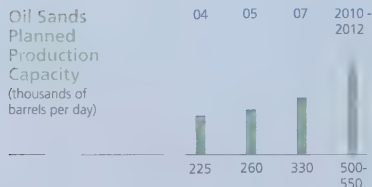
RESOURCES



PRODUCTION

SUNCOR PLANS TO FURTHER INCREASE PRODUCTION CAPACITY WITH ADDITIONAL COKERS IN 2007

MARKETS



FIREBAG: THE IN-SITU ADVANTAGE

Development of Suncor's Firebag in-situ oil sands leases is a key step in our long-term growth strategy. In-situ development takes a high-technology, low-impact approach to recovering bitumen (very heavy oil) from oil sands. Instead of stripping the surface cover and mining oil sands ore with trucks and shovels, in-situ recovery uses advanced technologies to drill into the ore, heat the bitumen and pump it to the surface.

As well as providing economic access to an estimated 10 billion barrels of bitumen resources that are beyond the reach of shovels, in-situ development helps reduce environmental impacts to surface land and water; allows for staged development and tighter control of budgets and construction schedules; and offers potential for future reductions in both costs and environmental impacts as new technology is more fully developed.

The first phase of the Firebag project is expected to begin commercial bitumen production in early 2004. Combined with the addition of a second vacuum tower at Suncor's upgrading facilities, we expect to increase oil sands production capacity to 260,000 barrels per day in 2005.

A NEW VOYAGE

Suncor's growth plans into the next decade are reflected in our Voyageur growth strategy – a multi-phased expansion of in-situ oil sands recovery and upgrading capacity. The first major step in Voyageur calls for expanding one of two existing upgraders to increase production to an expected 330,000 barrels per day in 2007. With the goal of adding a third complete upgrader, Suncor is targeting production of more than half a million barrels per day by 2010 to 2012 – about 15% of Canada's total projected crude oil production.

At the same time that oil sands production increases, we are planning to increase production of cleaner-burning natural gas to help offset our energy demands in upgrading and refining operations. Downstream, we plan to continue to improve market access for oil sands products with expanded refining operations and a growing customer base in Canada and the United States.



SHRINKING OUR FOOTPRINT Just a short distance from Suncor's Firebag site (in background) there's a visible difference in the reduced impact of in-situ development on the surrounding countryside. Suncor continues to make the most of the new technology, which holds even more potential for both environmental and economic improvements as it is more fully developed.

RENEWABLE ENERGY

SUNCOR'S CORE BUSINESS IS MEETING CONSUMER DEMAND FOR HYDROCARBON ENERGY, CURRENTLY THE LEAST EXPENSIVE SOURCE OF ENERGY FOR TRANSPORTATION, RESIDENTIAL AND INDUSTRIAL USES. WHILE PLANNING TO RESPONSIBLY EXPAND OUR OIL AND NATURAL GAS BUSINESSES, WE ARE ALSO BUILDING RENEWABLE ENERGY OPTIONS THROUGH DIRECT INVESTMENT AND ENGAGING GOVERNMENT AND ENVIRONMENTAL STAKEHOLDERS TO ENCOURAGE POLICIES THAT PROMOTE RENEWABLE ENERGY DEVELOPMENT.

In 2000, Suncor announced plans to build a renewable energy business. Since that announcement, Suncor has created a long-term strategic plan and put in place a team of renewable energy professionals. We have examined a number of renewable energy options, including solar, run-of-river hydroelectricity, wind, and energy produced from biomass and municipal solid waste. Today, our focus is on the development of wind power.

HARVESTING THE WIND

It is expected that more than 13,000 homes will be kept bright by Suncor's second wind power project near Magrath, Alberta. The \$48 million, 30-megawatt facility is a joint project of Suncor and EHN Wind Power Canada Inc. Construction began in the fall of 2003 with completion expected in late 2004. The Magrath Wind Power Project and SunBridge, the Saskatchewan wind farm Suncor shares with Enbridge Inc., are expected to

provide nearly 15% of Canada's wind-generated electricity by the end of 2004. SunBridge, Suncor's first renewable energy project, was officially launched in 2002. It has a capacity of 11 megawatts of zero-emission electricity and offsets an estimated 33,000 tonnes of carbon dioxide per year – equivalent to taking about 5,000 vehicles off the road.

Together, the two projects will provide 41 megawatts of power and are expected to reduce carbon dioxide emissions by 115,000 tonnes each year as they offer an alternative to fossil fuelled generating plants.

Suncor has been really great about not disturbing our crops.

GREG SHEER MAGRATH AREA FARMER

CONSIDERATE NEIGHBOURS Greg Sheer (inset), who farms three quarter-sections (192 hectares) in the area of Suncor's new Magrath Wind Power Project, was not only pleased Suncor didn't disturb crops during survey work for the project – he appreciated the company waiting until the end of harvest before starting construction. Sheer, who will have two of the project's planned 20 turbines on his property, also praised the project's benefits to the municipal economy and tax base, with local contractors being used as much as possible.



IMPROVING GASOLINE WITH ETHANOL

Ethanol is a renewable and biodegradable alcohol fuel made from corn or grain. Suncor introduced cleaner-burning ethanol-enhanced gasoline to Ontario consumers in 1996 and by 2001 offered 10% ethanol-blended gasoline at nearly 500 Sunoco-branded and joint venture retail sites across Ontario.

Ethanol-enhanced gasoline burns cleaner, cuts carbon monoxide emissions by up to 30% and reduces unburned hydrocarbons in older vehicles. A life cycle value analysis indicates that ethanol-enhanced gasoline has had the equivalent effect of removing in excess of 20,000 cars from Ontario's roads each year – that's more than 100,000 tonnes of carbon dioxide.

Our success in building a market for ethanol-enhanced gasoline in Ontario has resulted in demand for ethanol that exceeds the amount produced in the province. As a result, in 2003, Suncor began to investigate the feasibility of building an ethanol plant near our refinery in Sarnia, Ontario. The proposed \$120 million project would create about 250 jobs during construction and an estimated 35 to 40 permanent positions on completion. The corn feedstock required for the production of ethanol is expected to come from local farms in the Sarnia-Lambton region.

Suncor realizes that some community residents have concerns about the proposed ethanol plant (see photo page 15). Input from stakeholders, including consultation with the neighbouring Aamjiwnaang First Nation, is important to reaching mutually beneficial solutions to meeting growing ethanol demand, while also protecting or enhancing the quality of life in our communities.



REDUCED EMISSIONS AND USE OF RENEWABLE FEEDSTOCK HAS EARNED SUNOCO'S ETHANOL BLENDS THE RIGHT TO DISPLAY CANADA'S ECOLOGO™ FOR ENVIRONMENTALLY RESPONSIBLE PRODUCTS



WASHING WITH THE SUN In August 2002, Suncor's retail business, Sunoco, opened the first car wash in Ontario to use solar technology to help heat its water. The solar panel installation is designed to reduce the car wash's use of natural gas for water heating by an estimated 16,000 cubic metres per year. This is expected to result in reduced carbon dioxide emissions of 30 tonnes annually at the facility.

OPERATING PERFORMANCE

SUNCOR IS COMMITTED TO GROWING ITS ENERGY BUSINESS IN A WAY THAT GENERATES VALUE FOR SHAREHOLDERS. TO ACHIEVE OUR FINANCIAL GOALS, WE REALIZE WE MUST CONSTANTLY STRIVE TO IMPROVE THE PERFORMANCE OF OUR OPERATIONS AND PRODUCTS, ENGAGE OUR EMPLOYEES IN FINDING NEW AND BETTER WAYS OF DOING THINGS, AND WORK WITH ALL OF OUR STAKEHOLDERS TO REALIZE SOCIAL, ENVIRONMENTAL AND ECONOMIC BENEFITS.

Financial Results

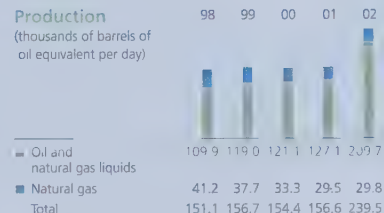
(Cdn\$ millions)

	98	99	00	01	02
Revenue	2 070	2 387	3 388	4 199	4 904
Net earnings	178	186	377	388	761
Cash flow from operations	580	591	958	831	1 440
Total assets	4 104	5 176	6 833	8 094	8 683
Net debt	1 289	1 334	2 236	3 143	2 671
Return on capital employed ¹ (%)	9.5	8.3	16.6	17.8	14.6

¹ Excludes major project costs until new assets are brought into operation.

Production

(thousands of barrels of oil equivalent per day)



SUNCOR CONVERTS NATURAL GAS PRODUCTION TO BARRELS OF OIL EQUIVALENT USING A 6:1 RATIO - 6 MILLION CUBIC FEET OF NATURAL GAS EQUALS 1,000 BOE



SETTING PERFORMANCE RECORDS Increased production and strong commodity prices drove record financial results for Suncor in 2002. Suncor's 2002 net earnings nearly doubled from 2001 to \$761 million, while cash flow from operations topped the billion-dollar mark for the first time at \$1.44 billion. Suncor continues efforts to lower per barrel operating costs with the goal of becoming one of the lowest-cost crude oil producers in North America.

Detailed information about Suncor's financial performance can be found in the company's Annual Report, available online at www.suncor.com.

SUPPLY CHAIN MANAGEMENT

Across the company, Suncor plans to spend about \$1.5 billion on materials and services per year over the next eight years. Through sustainable supply chain management, Suncor uses our substantial buying power to reduce costs and help align purchasing with our vision of sustainability. Our goal is to assess social, environmental and economic performance factors at every step in the life cycle of a project, from initial design and the procurement of raw materials, through construction, start-up, operation, and ultimately decommissioning.

To reach this goal, Suncor seeks to:

- integrate purchasing strategies across our businesses;
- use technology to manage information and inventories; and
- develop long-term relationships with preferred suppliers who hold similar values and beliefs and will create value on a continuing basis.

In 2002, Suncor began developing policies and guidelines and engaging our suppliers in our vision of sustainability. For example, we conducted a workshop on greenhouse gases and energy efficiency with a select group of key suppliers. As a result, some suppliers have initiated activities such as assembling internal audit teams, hiring energy managers and setting targets for greenhouse gas reductions. Suncor is also working with suppliers on Aboriginal business development, ethical sourcing, health and safety and workforce training issues.

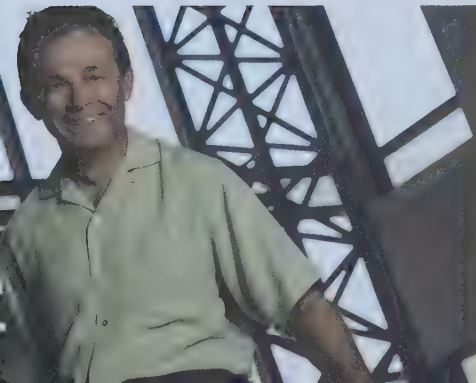
LASTING RELATIONSHIPS

Lasting relationships offer lasting benefits and Suncor's work with Bantrel Engineering and Waiward Steel Fabricators is a great example. Since the 1990s, these companies have taken the time to get to know Suncor, and we have come to admire and value their expertise in engineering, steel design, fabrication and assembly. Together, we have designed products and installation processes that streamline construction at our Oil Sands operations while sharing ideas about improving environmental performance. On the Millennium

Vacuum Unit project, more than 1,000 tonnes of steel were erected with no need for changes in the field – a notable accomplishment that led to less waste and better project performance.

“Every project we work on together seems to reinforce the benefits of the unique relationship that has evolved between Waiward, Suncor and Bantrel,” says Dwayne Hunka, vice president and general manager of Waiward Steel Fabricators. “Striving to enhance and strengthen this commitment will lead to continued growth and success in the future.”

Part of the evolution that Hunka refers to involves development of innovative environmental programs. After attending a workshop hosted by Suncor and learning about our progress on energy efficiency and greenhouse gas emissions, Waiward targeted a similar program at their operation. With the University of Alberta and Lockerbie and Hole Industrial Inc., Waiward signed a Project Charter for Greenhouse Gas Emission Reduction in the Construction Industry. The jointly led program is being developed as a model for operations and supply chain management for steel constructors and fabricators.



Every project we work on together seems to reinforce the benefits of the unique relationship that has evolved between Waiward, Suncor and Bantrel.

DWAYNE HUNKA VICE PRESIDENT AND GENERAL MANAGER, WAIWARD STEEL FABRICATORS LTD.

CONTRIBUTING TO PROSPERITY

The benefits of Suncor's economic success extend well beyond the returns we provide to shareholders. Our growth also helps meet the energy demands of a growing North American economy and provides jobs, revenues to government and other economic benefits in our neighbouring communities and across Canada.

In late 2001, Suncor completed Project Millennium, a four-year, \$3.4 billion expansion of our oil sands facilities. A workforce of more than 6,000 was assembled for peak construction and about 600 new jobs were created on completion. An estimated two to three indirect jobs were created for each direct job.

In its first full year of operation, Millennium helped drive Oil Sands total crude oil production to nearly 210,000 barrels of crude oil per day, representing nearly 9% of Canadian oil production and 13% of domestic demand.

Suncor believes that investing locally is the best way to ensure people who are impacted by our operations share in the economic benefits. Over a five-year period from 1998 to 2002, more than \$1 billion was spent on goods and services from the Wood Buffalo region of Alberta, home of our oil sands operations. Of that total, \$269 million was spent on purchases from Aboriginal businesses. Suncor continues to develop its relationships with Aboriginal businesses and is targeting \$50 million per year in long-term contracts for the Voyageur expansion project.

To help ensure these targets are met, Suncor and other industry partners are co-operating to provide advice and funding to help Aboriginal communities develop

independent and sustainable businesses. As part of the All Parties Agreement signed in January 2003 by the Athabasca Tribal Council, 15 resource developers and three levels of government, Suncor will work to build stronger ties with Aboriginal communities, helping to identify opportunities for business development and resolve outstanding social, environmental and economic issues.



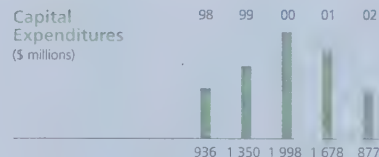
ALONG WITH INVESTMENT AND JOBS, THE DEVELOPMENT OF THE OIL SANDS INDUSTRY IS ALSO BRINGING GROWING PRESSURE ON INFRASTRUCTURE SUCH AS ROADS AND HOUSING IN THE WOOD BUFFALO REGION. SUNCOR AND OTHER OIL SANDS DEVELOPERS ARE WORKING WITH MUNICIPAL AND PROVINCIAL GOVERNMENTS TO MAINTAIN SAFE ROADS AND REDUCE TRAFFIC LOADS WITH FLEETS OF BUSES TO MOVE WORKERS TO AND FROM PLANT SITES.



SUNCOR'S BUSINESSES REQUIRE A DIVERSE SUPPLY OF MATERIALS AND SERVICES DURING CONSTRUCTION, OPERATION AND MAINTENANCE OF PLANT AND FIELD FACILITIES. SINCE 1998, SUNCOR HAS SPENT MORE THAN \$10.5 BILLION ON GOODS AND SERVICES WITH 85% SUPPLIED FROM CANADIAN SOURCES.



IN 2002, SUNCOR PAID A TOTAL OF \$482 MILLION IN TAXES AND ROYALTIES TO THREE LEVELS OF GOVERNMENT, INCLUDING PROPERTY, INCOME AND EXCISE TAXES, AND RESOURCE ROYALTIES.



SUNCOR'S CAPITAL AND EXPLORATION EXPENSES ARE PRIMARILY DIRECTED TO INVESTMENTS IN TECHNOLOGY AND INFRASTRUCTURE THAT SUPPORT OUR GROWTH PLANS AND REDUCE OUR ENVIRONMENTAL FOOTPRINT.

AN UPLIFTING OPPORTUNITY

Suncor is providing a lift to many new Aboriginal businesses. And one of those businesses, in turn, is providing a lift to us.

Mikisew Slings and Safety Ltd. manufactures nylon slings used for heavy lifting by Suncor and other large industrial and manufacturing companies. The business is owned by the Mikisew Cree First Nation, located north of Suncor's oil sands operations.

The Council of the Mikisew Cree approached Suncor to help identify business opportunities that would help the community share in the benefits of resource development. The result of those early discussions is an independent and highly successful business with growing sales, an international distribution arrangement and the largest sling load testing facility in Western Canada.

Suncor has extended its support to several other Aboriginal businesses, sharing business knowledge and, in many cases, committing to purchase agreements as the businesses get started.

Other Aboriginal businesses to which Suncor has provided early assistance include:

- Chip Manufacturing Company, owned by the Athabasca Chipewyan First Nation, supplies protective gear to industrial customers.
- Log Technologies Inc., owned by the Chipewyan Prairie First Nation, builds and markets log construction homes.
- Aquasonics, owned by the Athabasca Chipewyan First Nation, uses proprietary ultrasonic technology to clean oil sands process equipment.



MIKISEW CREE CHIEF ARCHIE WAQUAN STITCHES A STRAP AT THE GRAND OPENING OF MIKISEW SLING AND SAFETY'S EDMONTON MANUFACTURING FACILITY

Suncor, © Edmonton Journal



SUPPORTING LOCAL GROWTH A tanker from McKay Transport, an Aboriginal business owned by the the Fort McKay Group of Companies, takes on a load of fuel from the Enbridge diesel rack. The Enbridge facility, built near Suncor's oil sands plant, supplies Suncor diesel to meet the growing demand for industrial and transportation fuels in northern Alberta and the Northwest Territories.

INTEGRATED PERFORMANCE

THE FOUNDATION OF SUSTAINABLE DEVELOPMENT IS THE INTERDEPENDENT AND COMPLEMENTARY RELATIONSHIP BETWEEN A HEALTHY ENVIRONMENT, A STRONG ECONOMY AND SOCIAL WELL-BEING. TO REALIZE OUR VISION OF BECOMING A SUSTAINABLE ENERGY COMPANY, SUNCOR MUST GO BEYOND MEASURING EACH ELEMENT INDIVIDUALLY AND STRIVE TO EXPRESS OUR PERFORMANCE USING INDICATORS THAT INTEGRATE MORE THAN ONE COMPONENT OF SUSTAINABILITY. WE ALSO NEED TO RECOGNIZE THAT OUR BUSINESS DOES NOT OPERATE IN ISOLATION – OUR SOCIAL, ENVIRONMENTAL AND ECONOMIC PERFORMANCE MUST BE MEASURED IN A REGIONAL AND NATIONAL CONTEXT.

GLOBAL CONCERNS – GLOBAL REPORTING

The Global Reporting Initiative (GRI) recommends assessing integrated performance through the use of **cross-cutting** and **systemic indicators** to better understand company contributions to, and impacts on, society.

CROSS-CUTTING INDICATORS bridge information across two or more of the three elements of sustainability: environmental, economic and social.

SYSTEMIC INDICATORS link organizational activity to environmental, economic, or social conditions at the regional, national or global level.

The World Business Council for Sustainable Development (WBCSD) also provides guidance on integrated performance indicators such as eco-efficiency, innovation and technology, corporate social responsibility, ecosystems, and markets and risk.

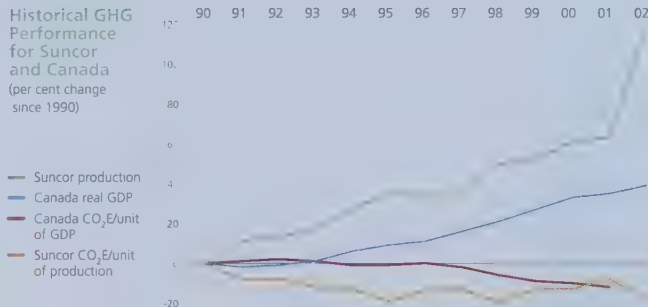
CROSS-CUTTING INDICATORS

Taking direction from the GRI and WBCSD, Suncor reports on many cross-cutting indicators throughout this report. Examples include the economic cost of achieving the requirements of the Kyoto Protocol, energy efficiency, emission intensity, life cycle value assessments and Aboriginal business development. These cross-cutting indicators reveal the degree to which an incremental change in the magnitude of one indicator (for example, GHG emissions) positively or negatively impacts the magnitude of one or more other indicators (for example, revenues or expenses).

PRODUCTION, GHG EMISSIONS AND THE ECONOMY

An important cross-cutting indicator is linking greenhouse gas emissions (GHG) and the economy. For more than a decade, Suncor's production growth rate has been approximately double that of the Canadian economy as measured by gross domestic product (GDP). At the same time, the latest available data indicates Suncor decreased GHG emission intensity at more than double the rate that Canada reduced overall emissions per unit of GDP from 1990 to 2001. Although emission intensity increased during start-up of Suncor's Millennium oil sands expansion in 2001, energy efficiency initiatives introduced in 2002 have restored the downward trend.

Historical GHG Performance for Suncor and Canada (per cent change since 1990)



PROTECTING PEOPLE AND THE ENVIRONMENT

Major incidents and regulatory contraventions are important cross-cutting indicators that link environmental, social (health and safety) and economic (regulatory financial penalties) dimensions of corporate performance.

Suncor's business is subject to more than one million environment, health and safety (EH&S) regulatory control requirements and measurements that cover a wide range of operating issues – from the way data is measured and reported on regulated emission points, to spill reporting, water consumption, resource recovery and licensed process operating parameters such as stack temperature limits.

REGULATORY CONTRAVENTIONS Regulatory contraventions are a failure to meet the regulatory requirements or conditions specified in operating approvals, permits, or licences issued by regulatory authorities or EH&S legislation.

Regulatory
Contraventions



Company-wide, the number of EH&S regulatory contraventions increased to 184 in 2001 from 120 in 2000, due primarily to increased activity during commissioning of expanded plant facilities at the company's oil sands operation. In 2002, regulatory contraventions decreased to 162. Suncor incurred two regulatory fines in 2001 totalling \$3,500. There were no regulatory fines in 2002.

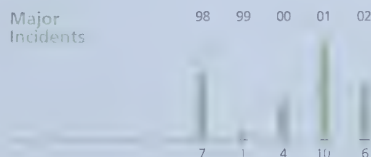
MAJOR INCIDENTS Major incidents are EH&S incidents that result in fatalities, critical or serious injuries, regulatory enforcement action, or significant adverse impact to the environment or the company's reputation.

In 2001, Suncor recorded 10 major EH&S incidents, with seven involving serious injuries to workers. Three of the 10 incidents – a sour gas pipeline leak in Grande Prairie, a sour gas release at the Sarnia refinery and an explosion at Oil Sands – did not result in any injuries, but did cause operational disruptions.

In 2002, Suncor had six major EH&S incidents, five of which involved serious injuries to workers. One of the six incidents – a fire at the Sarnia refinery – did not result in any injuries. There was a fire and fatality at the Sarnia refinery in August 2003.

More information on Suncor's health and safety performance can be found in the Social Performance section of this report.

Major
Incidents



SUPPORTING DEVELOPMENT OF PUBLIC POLICY

Suncor provides input to the development of public policy that encourages sustainable development. We consider this commitment, and the considerable resources it requires, to be a cross-cutting performance activity because it contributes to improvements in social, environmental and economic performance beyond our own operations.

Suncor's involvement includes participation in the WBCSD, Canadian Council of Chief Executives, Voluntary Challenge and Registry Program, Alberta's Clean Air Strategic Alliance, Canadian Association of Petroleum Producers, Canadian Petroleum Products Institute, Clean Air Renewable Energy Coalition, Conference Board of Canada, Canadian Business for Social Responsibility, Canadian Centre for Philanthropy, Boston College Center for Corporate Citizenship, and Centre for Innovation and Management at Simon Fraser University.

SYSTEMIC INDICATORS

The use of systemic indicators to measure overall impacts – positive or negative – continues to emerge. While there are no standard systemic indicators outlined by the GRI, Suncor has developed a set of key systemic indicators that fairly represent how our social, environmental and economic activities contribute to the larger regional and national context.

	REGIONAL	NATIONAL	
Environmental Performance			
GHG emissions (2001)	• 3.2% of Alberta's greenhouse gas emissions	• 1% of Canada's greenhouse gas emissions	1 RSA.1 (Regional Study Area) includes communities of Fort McMurray, Fort McKay, Anzac, Janvier/Chard, Qungley and Mariana Lake.
Sulphur dioxide (SO ₂)	• 24% of SO ₂ emissions in the RSA.1 ¹ from existing and approved developments		2 Most recent boreal forest data from Natural Resources Canada is from 1994, compared against 2002 land disturbed by Oil Sands.
Nitrogen oxide (NO _x)	• 34% of NO _x emissions in the RSA.1 ¹ from existing and approved developments		3 Data on RSA.2 collected in 2000. RSA.2 includes communities of: RSA.1 plus Cheecham (RSA includes terrestrial vegetation, wetlands, lakes, rivers and other unclassified areas)
Boreal forest disturbed by Oil Sands development (1994)	• 0.02% of Alberta's boreal forest ²	• 0.002% of Canada's boreal forest	4 The SunBridge Wind Power Project is a joint venture between Suncor and Enbridge Inc. Suncor's direct contribution would therefore represent 50% of capacity.
Area disturbed by Oil Sands development (2000)	• 0.3% of RSA.2 ³ Of this total, approximately one-third is land and two-thirds wetlands		5 Industry employment data includes the oil and gas, forestry, fishing and mining industries.
Economic Performance			
Oil production	• 13.4% of Alberta's production	• 8.9% of Canadian production 13% of Canadian demand	
Natural gas production	• 1.2% of Alberta's production	• 0.9% of Canada's production	
Refined oil products	• 16.7% of Ontario's domestic sales	• 5.6% of Canada's domestic sales	
Installed wind power capacity, SunBridge ⁴	• 66% of Saskatchewan's installed wind capacity	• 4.8% of Canada's installed wind capacity	
Capital investment	• 4.8% of Alberta's oil and gas industry investment (including refining and gas distribution)	• 3.2% of Canada's oil & gas industry investment (including refining and gas distribution)	
Royalty, bonus and lease payments	• 1.9% of Alberta's non-renewable resource revenue		
Social Performance			
Suncor employees and long-term contractors	• Suncor employs 5.2% of Alberta's workers in the resource industry ⁵	• Suncor employs 1.8% of Canadian workers in the resource industry ⁵	
Charitable donations (2000)		• 0.03% of Canada's allowed charitable donations by corporations	

Unless otherwise indicated, data is from 2002, earlier reporting is due to the unavailability of more current data from external sources.

Sources: Canadian Association of Petroleum Producers, Statistics Canada, Environment Canada, Natural Resources Canada, The Government of Alberta, Canadian Wind Energy Association, SaskPower, Suncor's Millennium and Firebag environmental impact assessments, CNRL Horizon Project, Imagine.

...transparency

comparative – continues to p.

NATIONAL

generalization...

AUDITORS' REPORT

TO: SUNCOR ENERGY INC

We have been asked to audit the reliability of selected quantitative information in Suncor Energy's 2003 Report on Sustainability (the "Report") for the years 2001 and 2002. We have done so and marked this information with the symbol ☑. We did not attempt to audit all reported information.

The audited information was selected by Suncor primarily on the basis of perceived external stakeholder interest and maturity of the reporting processes. In addition to the information audited in the 2001 report, the scope of this year's audit also included selected quantitative information relating to health & safety, water withdrawal, and air emissions.

The preparation of the Report is the responsibility of Suncor Energy Inc. management. Our responsibility is to express an opinion on the reliability of the selected quantitative information, based on the audit work described below.

BASIS OF OPINION There are currently no statutory requirements or generally accepted standards for the preparation and audit of sustainable development reports. In the absence of such standards, our audit approach

reflects emerging best practice, using a framework based on the *Standards for Assurance Engagements* described in Section 5025 of the Canadian Institute of Chartered Accountants (CICA) Handbook. We therefore planned and performed our work in order to obtain reasonable, rather than absolute, assurance with respect to the quantitative information examined. We believe our work provides a reasonable basis for our opinion.

Our audit included examining, on a test basis, evidence supporting the selected quantitative information in the Report. Our audit procedures included a review of internally and externally generated documents and data, and interviews with Suncor Energy management and staff at the corporate head office and within each of the three main business units. We reviewed the internal management processes used to generate the information and, where appropriate, tested the related internal controls. We applied analytical and substantive procedures on the data where appropriate. We compared Suncor's reporting approach to the approaches recommended by relevant external standards and programs, including the Global Reporting Initiative and existing and emerging industry standards.

OPINION In our opinion, the quantitative information set out in this report marked with the symbol ☑ is supported by appropriate underlying evidence and is fairly stated in all material respects.

In addition, financial information marked with the symbol ☑* has been extracted from the audited financial statements of Suncor Energy Inc. or the Suncor Energy Foundation for the years ended December 31, 2001 and 2002. Our opinion on the financial statements is set out in our reports to shareholders dated January 16, 2002 and January 17, 2003.

Signed,

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP

Calgary, Alberta

October 1, 2003

REPORT OF MANAGEMENT

This report has been prepared in accordance with the 2002 GRI Guidelines. It represents a balanced and reasonable presentation of our company's social, environmental and economic performance.

Rick George

RICK GEORGE
PRESIDENT AND CHIEF EXECUTIVE OFFICER
SUNCOR ENERGY INC

IN ADDITION TO PROVIDING AN OPINION ON THE RELIABILITY OF SELECTED PERFORMANCE INDICATORS (MARKED THROUGHOUT THE PERFORMANCE INDICATORS, PAGES 60 TO 75, WITH THE ⓘ AND ⓘ* SYMBOLS), WE ALSO ASKED PRICEWATERHOUSECOOPERS LLP (PWC) TO PROVIDE US WITH FEEDBACK ON AREAS OF STRENGTH AND OPPORTUNITIES FOR IMPROVEMENT IN OUR SUSTAINABILITY PERFORMANCE MONITORING AND REPORTING PROCESSES. ILLUSTRATIVE EXCERPTS FROM PWC'S COMMENTARY ARE PROVIDED BELOW.

AUDITORS' OBSERVATIONS

AREAS OF STRENGTH

- The company has made further enhancements in the accuracy and completeness of its greenhouse gas emissions data since the last sustainability report. For example, the greenhouse gas emissions for Oil Sands and Energy Marketing and Refining were recalculated using the American Petroleum Institute and Environment Canada methodologies and factors.
- The data management processes and controls are appropriate for indicators with associated regulatory requirements for reporting, such as sulphur dioxide and health and safety statistics.
- There is a general overall improvement in the sustainability report preparation process, including earlier compilation of performance data from the business units as well as greater internal review of the data.

AREAS FOR IMPROVEMENT

- There are inconsistencies between business units in the definitions and calculation methodologies for several performance indicators. Such inconsistencies make company-wide consolidation of the data for these indicators difficult.
- A number of the performance indicators were manually calculated at year-end using informal processes. The implementation of more robust systems and tools for tracking, tabulating and reporting the data for these indicators would reduce the risk of errors and omissions.
- Frequent organizational changes, including organizational restructuring and changes in staffing, created gaps in the continuity and consistency of the data management processes.

PWC informed Suncor the areas for improvement identified result in inefficiencies in both the consolidation and auditing of the performance indicators, but are not believed to have a material effect on the reported performance data.

BOUNDARY CONDITIONS Consolidated company-wide performance indicators are provided as well as indicators for each operating business – Oil Sands, Natural Gas and Renewable Energy, and Energy Marketing and Refining (EM&R) – Canada. Suncor's U.S.A. operations were acquired in August 2003 and because this report focuses on 2001 and 2002 results, performance indicators for the U.S. operations are not included. Statistics for the Sun-Canadian Pipe Line Company Limited are also not included in this report with the exception of health and safety performance data for employees.

Suncor measures progress by monitoring selected performance indicators. These indicators provide insight on the environmental, economic and social impacts and benefits of Suncor's business and are used to continuously improve performance. Some new indicators have been selected based on the 2002 GRI Guidelines.

UNDERSTANDING THE INDICATORS WHEN DATA FOR PERFORMANCE INDICATORS WAS EITHER NOT READILY AVAILABLE OR CURRENT CALCULATION METHODOLOGIES DIFFERED SIGNIFICANTLY FROM THOSE USED IN THE PAST, MAKING MEANINGFUL COMPARISONS DIFFICULT, A LINE ENTRY (—) APPEARS IN THE TABLE. DATA ENTRIES IN BOLD ITALICS HAVE BEEN AUDITED BY PRICEWATERHOUSECOOPERS LLP. A ☺ IN FRONT OF THE INDICATOR HIGHLIGHTS THE ROWS CONTAINING SUCH AUDITED DATA. A ☺* IN FRONT OF THE ECONOMIC INDICATOR HIGHLIGHTS THE ROWS CONTAINING DATA TAKEN DIRECTLY FROM THE AUDITED FINANCIAL STATEMENTS FOUND IN OUR ANNUAL REPORTS. SEVERAL FOOTNOTES APPEAR THROUGHOUT THIS SECTION TO PROVIDE CLARITY ON SPECIFIC BOUNDARY CONDITIONS, CHANGES IN METHODOLOGY, DEFINITIONS AND HOW TO GET MORE INFORMATION.

SUNCOR - WIDE PERFORMANCE INDICATORS^A

ENVIRONMENT

	98	99	00	01	02
PRODUCTION					
☺ Upstream processed volumes and gross production (thousand barrels of oil equivalent/day) ^B	150.3	156.6	169.2	173.7	258.2
☺ Upstream processed volumes and gross production (thousand m ³ of oil equivalent/day) ^B	23.9	24.9	26.9	27.6	41.0
☺ Downstream gross production (thousand m ³ refined product/day) ^C	12.5	12.2	12.3	11.7	11.9
☺ Total upstream and downstream production (thousand m ³ /day) ^D	36.4	37.1	39.2	39.3	52.9

AIR EMISSIONS^E

☺ Greenhouse gas (GHG) (thousand tonnes CO ₂ equivalent/yr) ^F	5 893	6 497	6 865	7 342	8 799
☺ GHG emission intensity (tonnes CO ₂ equivalent/m ³ total production) ^G	0.447	0.486	0.485	0.512	0.455
Greenhouse gas offsets (thousand tonnes CO ₂ equivalent/yr)	84	84	332	255	297
☺ Sulphur dioxide (tonnes/day)	69.5	78.7	65.0	78.3	73.6
☺ Sulphur dioxide emission intensity (kg/m ³ total production)	1.91	2.12	1.66	1.99	1.39
☺ Nitrogen oxides (tonnes/day)	38.3	59.8	59.0	65.5	40.8
☺ Nitrogen oxides emission intensity (kg/m ³ total production)	1.05	1.61	1.51	1.67	0.77
☺ Volatile organic compounds (VOC) reported to NPRI (tonnes/day) ^H	—	—	—	4.3	60.0
Benzene (tonnes/yr)	—	99.2	104.3	103.3	93.7
☺ NPRI on-site releases reported (tonnes/yr) ^H	1 243	932	1 436	1 559	69 268

ENERGY CONSUMPTION

Energy use (million gigajoules)	74.0	74.9	80.4	93.3	111.9
Energy intensity (gigajoules/m ³ total production)	5.57	5.54	5.60	6.50	5.79

A The summary of Suncor-wide performance indicators includes figures for Suncor's corporate office. As a result, some indicators may not equal the sum of the figures for Oil Sands, Natural Gas and Renewable Energy, and Energy Marketing and Refining (EM&R). Information on Suncor Energy Marketing Inc. and Major Projects are incorporated when available and appropriate.

B The sum of processed volumes from Natural Gas and gross production from Oil Sands.

C Gross production of refined product from EM&R.

D The sum of upstream production (see Note B) and downstream production that is used as the denominator in calculating company-wide emission intensities as it represents emissions associated with total plant throughput as opposed to only saleable product.

E Emissions from the production of crude oil, natural gas, natural gas liquids and refined products. Emissions from product consumption by others are not included.

F GHG numbers include direct and indirect emissions. GHG emissions for Oil Sands and EM&R have been recalculated for all years using the American Petroleum Institute and Environment Canada methodologies. GHG emissions for Natural Gas and Renewable Energy are calculated using Canadian Association of Petroleum Producers (CAPP) methodology. For a detailed account of the six reported GHGs (CO₂, CH₄, N₂O, HFC, PFC, SF₆) for Suncor, see our latest Voluntary Challenge and Registry (VCR) report at www.suncor.com.

G Calculated using gross production from Oil Sands and EM&R, and processed volumes from Natural Gas to be consistent with the methodology used in Suncor's annual submission under the VCR program.

H A substantial number of changes were made to the National Pollutant Release Inventory (NPRI) requirements, including changes in thresholds and the addition of seven Criteria Air Contaminants (CAC), which include VOCs. These changes significantly increased the total NPRI site releases reported by Suncor in 2002. Data for 1998-2001 has not been restated. To view Suncor's complete submission, or for more information on the NPRI, visit www.ec.gc.ca/pdb/npri.

ENVIRONMENT (continued)

	98	99	00	01	02
WATER USE^I					
☑ Surface water withdrawal (million m ³)	69.1	73.6	74.0	87.8	95.9
Surface water returned (million m ³)	67.7	70.8	65.1	59.1	39.8
Total water retained/used (million m ³)	1.4	2.8	8.9	28.7	56.1
WASTE MANAGEMENT					
Hazardous/dangerous waste generated (tonnes)	—	7 073	8 871	25 099	5 355
Non-hazardous/non-dangerous waste generated (tonnes)	—	99 830	99 564	54 398	50 803
Waste recycled/reused/recovered (tonnes)	—	5 264	5 073	7 125	5 094
PRODUCTS AND SERVICES					
Ethanol blended into gasoline (thousand m ³)	102.3	138.1	191.9	227.7	245.8
Sulphur content of gasoline (ppm)	301	209	192	180	200
Wind energy generation (MW)	—	—	—	—	5.5
COMPLIANCE					
☑ Major incidents^J	7	1^K	4	10	6^L
☑ Regulatory contraventions	182	209	120^M	184	162^N
Water quality discharge	—	4	5	2	2
Spills to watercourses	2	2	2	1	1
☑ Regulatory fines (\$)	1 000	20 000	750	3 500	0
EH&S MANAGEMENT					
EH&S professionals on staff ^O	37	45	52	57	60

SOCIAL**HEALTH AND SAFETY^P**

☑ Employee lost-time injury frequency^Q	0.15	0.41	0.34	0.16	0.33
☑ Contractor lost-time injury frequency^Q	0.39	0.18	0.45	0.37	0.32
☑ Employee total recordable injury frequency^R	1.66	1.50	1.36	1.40	1.84
☑ Contractor total recordable injury frequency^R	4.21	2.36	2.68	2.02	2.45
☑ Fatalities	2	0	1	0	0

EMPLOYEE RELATIONS

☑ Employee turnover (%)^S	4.0	3.1	5.5	4.2	4.1
Employee and Family Assistance Program (% utilization) ^T	—	10.9	11.9	11.4	11.6
Education assistance plan (\$ thousands) ^U	1 212	839	1 655	202	206
Scholarships for employee dependants (\$ thousands) ^V	229	192	245	254	204

I Water use from the Athabasca and St. Clair rivers only. Water use was calculated prior to the release of the Global Reporting Initiative (GRI) Water Protocol.

J Major incidents are environment, health or safety incidents that result in a critical injury or fatality, regulatory enforcement action, or significant adverse impact to the environment or the company's reputation and are reported to regulators.

K One major incident also occurred at the Stuart Oil Shale Project in Australia, a business previously owned in part by Suncor.

L Data also includes one major incident from Major Projects.

M Five regulatory contraventions also occurred at the Stuart Oil Shale Project in Australia, a business previously owned in part by Suncor.

N Data also includes one regulatory contravention from Firebag in 2001 and three regulatory contraventions from Major Projects in 2002.

O Full-time professionals dedicated to environment, health or safety matters, including the corporate office, but excluding emergency response personnel.

P Data includes Oil Sands, Natural Gas and Renewable Energy, EM&R, Firebag and Suncor Energy Marketing Inc. for 2001. Data in 2002 also includes data from Major Projects.

Q A lost-time injury requires medical attention and results in an employee being absent from work. Lost-time injury frequency (LTIF) is the number of such injuries per 200,000 hours worked. Suncor does not track LTIF for employees at the corporate office.

R Recordable injuries include lost-time injuries as well as medical aid injuries. Medical aid injuries require medical attention but do not result in an employee being absent from work. Total recordable injury frequency (TRIF) is the sum of lost-time and medical aid injuries per 200,000 hours worked. Suncor does not track TRIF for employees at the corporate office.

S Employee turnover is defined as the percentage of employees who leave the organization voluntarily in a given year. In 2000, Suncor experienced an increase in employee turnover rate as a result of the increase in employment options in northern Alberta associated with the growth of the oil sands industry.

T The Employee and Family Assistance Program is an anonymous counselling service available to employees and their families. The utilization rate represents the percentage of the workforce accessing the service in a given year.

U Suncor supports the development of employees through an educational assistance program that reimburses tuition upon successful completion of a course or program.

V Suncor supports the education of employee families through a scholarship program for Suncor dependants.

SOCIAL (continued)

	98	99	00	01	02	
WORKFORCE						
Suncor employees	2 659	2 796	3 043	3 307	3 422	
Long-term contractors ^W	580	733	663	926	1 106	W Long-term contractors are contractors who replace a full-time equivalent job. They are often permanent maintenance positions with the company. Contractors for Major Projects are also included
☑ Employee wages (\$ millions) ^X	230.8	238.1	260.9	270.6	344.3	X All monetary compensation to employees, including straight time wages, overtime and bonus payments. The company-wide numbers have been calculated by adding each business total, including Major Projects, and corporate wages. Where definitions between businesses vary slightly, the consolidated figures are materially correct.
Employee benefits (\$ millions) ^Y	36.1	33.1	37.8	41.2	44.9	Y All taxable and non-taxable benefits, including health plans, stock options, savings plan and educational assistance.
EQUAL OPPORTUNITIES AND DIVERSITY						
Workforce diversity (% of total workforce)						
☑ Aboriginals	3	4.5	6.6	7.0	7.5	
☑ Women	18	18.1	18.8	19.4	19.4	Z Cash community investments and donations made by Suncor outside of the Suncor Energy Foundation (SEF). Although Suncor made contributions outside the SEF prior to 2001, no formal tracking system existed. In 2002, an improved tracking system was initiated across Suncor businesses.
☑ Visible minorities	7	6.6	6.3	6.8	6.8	
☑ Persons with disabilities	3	2.6	2.4	1.9	1.9	
☑ Women in management (%)	—	—	19.3	14.9	15.7	AA In-kind donations, including office furniture, computer equipment and diesel fuel. Although Suncor made in-kind contributions prior to 2001, no formal tracking system existed. An improved tracking system was initiated in 2002 across Suncor businesses.
COMMUNITY RELATIONS (\$ thousands)						
Suncor's donation to the Suncor Energy Foundation (SEF)	1 933	3 218	2 761	3 733	5 000	BB Volunteer time is reported by employees to Suncor on a voluntary basis. The hours shown generally represent time spent by employees volunteering in the community as a Suncor representative. Tracking began in 2002.
Suncor's community investment outside the SEF ^Z	—	—	—	602	672	CC Suncor established the SEF in March 1998. The SEF is committed to contributing 30% of its budget to environmental initiatives, 30% to educational initiatives and 40% to community initiatives, including employee and retiree programs
Suncor's in-kind donations ^{AA}	—	—	—	43	616	DD The SEF provides grants to Suncor employees and retirees in recognition of their volunteer service with a charitable organization.
Volunteer time (hours) ^{BB}	—	—	—	—	10 298	EE The SEF matches Suncor employee and retiree donations to Canadian post-secondary institutions to a maximum of \$1,000 per year.
Suncor employees					5 223	FF The SEF provides annual donations to United Way chapters across Canada in recognition of the contributions made to the United Way by Suncor employees and retirees.
Sunoco retailers					5 075	
☑ * Suncor Energy Foundation (\$ thousands) ^{CC}	1 579	2 416	2 826	3 414	4 547	
DISTRIBUTION BY FOCUS AREA						
☑ * Environment	251	830	810	858	1 231	
☑ * Education	518	586	780	1 276	1 497	
☑ * Community	810	1 000	1 236	1 279	1 820	
DISTRIBUTION BY REGION						
Calgary & area	676	1 333	505	563	890	
Ontario	251	462	583	651	829	
Fort McMurray/Wood Buffalo region	652	621	833	943	1 193	
National	—	—	905	1 256	1 636	
SEF community service grants ^{DD}	143	150	145	166	203	
SEF matching grants ^{EE}	—	14	16	19	20	
UNITED WAY						
SEF United Way donations ^{FF}	235	320	320	353	353	
Suncor employee and retiree contributions	539	605	627	715	839	

ECONOMIC

	98	99	00	01	02
PRODUCTION					
☑ Natural gas (thousand barrels of oil equivalent/day) ^{GG}	41.2	37.7	33.3	29.5	29.8
☑ Natural gas (thousand m ³ of oil equivalent/day) ^{GG}	6.5	6.0	5.3	4.7	4.7
☑ Crude oil and natural gas liquids (thousand barrels of oil equivalent/day) ^{HH}	109.9	119.0	121.1	127.1	209.7
☑ Crude oil and natural gas liquids (thousand m ³ /day) ^{HH}	17.5	18.9	19.3	20.2	33.3
☑ Refined product sales (thousand m ³ refined product/day) ^I	13.8	13.8	14.6	14.8	14.5
FINANCIALS					
☑ * Revenues (\$ millions)	2 070	2 387	3 388	4 199	4 904
☑ * Earnings (\$ millions)	178	186	377	388	761
☑ * Retained earnings (\$ millions)	981	1 070	1 421	1 700	2 357
☑ * Cash flow from operations (\$ millions)	580	591	958	831	1 440
Return on capital employed (%)	9.5	8.3	16.6	17.8	14.6
Share price Toronto Stock Exchange (\$) *	11.50	15.10	19.15	26.20	24.70
Ratio of market capitalization to book value	3.38	4.19	4.34	3.80	5.20
Taxes and royalties paid (\$ millions) ^{KK}	392	472	585	527	482
Tax and royalty credits received (\$ millions) ^{LL}	—	—	—	8.9	7.7
INVESTMENTS					
☑ * Capital and exploration expenditures (\$ millions)	936	1 350	1 998	1 678	877
☑ Research and development (\$ millions) ^{MM}	9.3	12.3	17.0	37.1	9.6
Distribution to providers of capital (\$ millions)	145	179	226	252	259
Dividends paid on preferred securities	0	37	47	48	48
Dividends paid on common shares	75	75	71	72	73
Share capital issued under dividends reinvestment plan	6	4	4	3	4
Interest payment on debt	64	63	104	129	134
Debt/debt plus shareholders' equity (%)	46.7	38.9	47.7	53.1	43.7
PURCHASES					
Goods and services (\$ millions) ^{NN}	1 307	1 646	2 903	2 620	2 033
Goods and services purchased in Canada (\$ millions)	1 212	1 490	2 682	1 993	1 544

GG Suncor's production of natural gas, exclusive of volumes processed on behalf of others. Values are consistent with Suncor's annual reports. Gas is converted to barrels of oil equivalent, assuming six million cubic feet of natural gas is equivalent to 1,000 barrels of oil. The new industry standard of a 6:1 ratio replaced the 10:1 ratio in 2001. Figures for 1998-2000 have been recalculated using the new standard.

HH Net oil production by Oil Sands added to natural gas liquids produced by Natural Gas, exclusive of volumes processed on behalf of others. Values are consistent with Suncor's annual financial reports.

I Refinery production and other product purchased for resale. Values are consistent with Suncor's annual financial reports.

JJ Suncor's year-end Canadian share price. Suncor's stock split 2 for 1 in both 2000 and 2002. Share prices have been recalculated from 1998-2001 to reflect this split and the previous 2000 stock split.

KK Monies remitted to government, including income, property, excise and other taxes, Crown royalties, and lease bonuses and rentals. Data for 1998-2000 have been restated to reflect slight changes in methodology.

LL Includes the Investment Tax Credit on Scientific Research and Experimental Development Expenditures, Deep Gas Royalty Holiday Program and Alberta Royalty Tax Credit.

MM All numbers have been restated as more accurate data on research and development becomes available. Typically data is not available until 18 months after year-end, in accordance with the reporting protocol established by Canada Customs and Revenue Agency (CCRA) for purposes of deciding tax treatment. The values for 2001 and 2002 represent Suncor's applications to the CCRA for those years.

NN Includes international purchases and excludes purchases of crude oil.

OIL SANDS PERFORMANCE INDICATORS

ENVIRONMENT

	98	99	00	01	02
PRODUCTION					
☑ Gross production (thousand barrels of oil/day) ^A	95.1	108.2	117.1	127.2	210.1
☑ Gross production (thousand m ³ of oil/day) ^A	15.1	17.2	18.6	20.2	33.4
AIR EMISSIONS					
☑ Greenhouse gas (GHG) (thousand tonnes CO ₂ equivalent/yr) ^B	4 328	5 009	5 352	5 878	7 358
☑ GHG emission intensity (tonnes CO ₂ equivalent/m ³ production) ^C	0.785	0.798	0.788	0.797	0.604
Ozone-depleting substances (kg of CFC11 equivalent/yr)	—	31.4	21.6	27.0	7.5
☑ Sulphur dioxide (tonnes/day)	53.4	63.2	49.1	64.1	60.3
☑ Sulphur dioxide emission intensity (kg/m ³ production)	3.54	3.67	2.64	3.17	1.81
☑ Nitrogen oxides (tonnes/day) ^D	33.8	55.2	54.6	60.8	36.2
☑ Nitrogen oxides emission intensity (kg/m ³ production) ^D	2.24	3.21	2.94	3.01	1.08
☑ Volatile organic compounds (VOC) reported to NPRI (tonnes/day) ^E	—	—	2.1	2.2	58.2
☑ VOC emission intensity (kg/m ³ production)	—	—	0.11	0.10	1.70
Benzene (tonnes/yr)	42.8	12.2	21.1	20.5	25.3
Toluene (tonnes/yr)	85.1	110.9	122.2	114.7	176.9
Ethylbenzene (tonnes/yr)	69.2	9.5	42.7	41.3	61.8
Xylene (tonnes/yr)	204.9	33.2	197.5	204.8	304.5
☑ NPRI on-site releases reported (tonnes/yr)	1 029	676	1 239	1 280	58 631
Flared gas (million m ³ /yr) ^F	30.1	30.9	29.1	43.2	60.3
Flared gas intensity (m ³ /m ³ production)	5.46	4.92	4.27	5.85	4.95
Heating value of gas flared (million gigajoules)	1.43	1.38	1.20	1.95	2.67
ENERGY CONSUMPTION					
Energy use (million gigajoules) ^G	50.1	53.3	59.7	73.3	92.1
Energy intensity (gigajoules/m ³ production)	9.07	8.49	8.77	9.93	7.56
WATER USE					
☑ Water withdrawal from the Athabasca River (million m ³)	37.9	42.1	42.5	56.4	67.2
Water drawn from water wells (million m ³)	—	—	—	0.1	0.1
☑ Water withdrawal intensity (m ³ /m ³ production)	6.9	6.7	6.2	7.6	5.5
Water returned to the Athabasca River (million m ³)	33.8	36.4	30.5	24.0	7.9
Water retained/used (million m ³) ^H	4.1	5.7	12.0	32.5	59.4

See Suncor-wide Performance Indicators tables for additional notes.

A Gross production includes product that is internally consumed as well as product lost through practices such as flaring. Gross production volume is used to calculate emission intensities since it represents emissions associated with total plant throughput as opposed to only saleable product. Gross production differs from net production in the economic performance section of this table.

B GHG emissions have been recalculated using the American Petroleum Institute and Environment Canada methodologies as outlined in Suncor's Eighth Annual Progress Report to the VCR, October 2002.

C GHG emissions intensity has been recalculated using gross production.

D Nitrogen oxides figures for 1998-2001 were estimates using generalized emission factors. As of 2002, equipment-specific operating data was used to quantify each point source. Numbers for 1998-2001 could not be recalculated.

E As reported to NPRI. Values for 2000 differ from Suncor's 2001 Report on Sustainability where all VOCs were reported.

F Flared gas includes emergency and non-emergency flaring.

G Includes combustion of petroleum coke, natural gas and internally produced fuels; flaring; and electrical power imports.

H Total water drawn minus water returned.

ENVIRONMENT (continued)

	98	99	00	01	02
WATER DISCHARGE QUALITY					
Oil and grease (tonnes)	—	33.3	24.6	13.0	5.0
Suspended sediment (tonnes)	—	175.8	117.2	86.0	14.7
Chemical oxygen demand (tonnes)	—	389.4	345.4	203.3	37.4
Phenol (tonnes)	—	0.101	0.078	0.046	0.022
Metals in effluent (tonnes)	—	13.37	8.33	8.04	0.86
WASTE MANAGEMENT					
Hazardous waste disposed off-site (tonnes)	354	1 100	774	1211	1227
Non-hazardous waste disposed off-site (tonnes)	—	290	135	0	0
Hazardous waste disposed on-site (tonnes)	—	3 645	5 524	19 676	210
Non-hazardous waste landfilled on-site (tonnes)	53 105	86 920	93 146	47 582	14 138
Waste reused/recycled/recovered off-site (tonnes)	—	3 450	4 017	5 385	3 177
Waste reused/recycled/recovered on-site (tonnes)	—	1 376	765	1 310	1 182
LAND DISTURBANCE AND RECLAMATION					
☑ Total land leaseholdings for potential development (hectares) ^I					
Mineable oil sands	—	37 373	37 373	37 373	37 373
Firebag (In-situ)	—	—	77 790	109 150	136 670
☑ Total landholdings approved for development (hectares) ^I					
Mineable oil sands	—	16 116	16 116	16 116	16 116
Firebag	—	—	19 036	19 036	19 036
☑ Total land disturbed (cumulative hectares)	3 533	4 667	6 931	7 326	7 610
☑ Land reclaimed (cumulative hectares)	619	548^I	626	675	732
☑ Combined surface area of tailings ponds (hectares)	—	793	823	1 355	2 100
☑ Number of tailings ponds	—	—	—	8	9
COMPLIANCE					
☑ Major incidents	1	1	2	6	4
☑ Regulatory contraventions	64	124	84	141	118
Air quality	31	23	14	16	24
Water quality discharge	2	0	0	0	0
Spills to Athabasca River ^K	0	0	1	0	0
☑ Regulatory fines (\$ thousands)	0	0	0	0	0
EH&S MANAGEMENT					
EH&S professionals on staff	21	27	34	40	40

^I Total land leaseholdings for potential and approved development have been split between Oil Sands and Firebag. Mineable oil sands hectares for 2000 have been restated to reflect a more accurate division of land between the two projects.

^J Reclaimed area decreased in 1999 from 1998 due to previously reclaimed areas being disturbed as a result of Oil Sands expansion.

^K Spills that enter the Athabasca river directly, or spills into collection systems that exceed downstream treatment capabilities and result in the release of substances to the river with potential to cause adverse impact.

ECONOMIC

ECONOMIC	98	99	00	01	02	
PRODUCTION						
⊗ Net production (thousand barrels of oil/day) ^L	93.6	105.6	113.9	123.2	205.8	L Net production is product available for sale. Figures are consistent with those found in Suncor's annual reports. Net production differs from gross production in the Oil Sands environmental performance section.
⊗ Net production (thousand m³ of oil/day) ^L	14.9	16.8	18.1	19.6	32.7	
FINANCIALS						
⊗ * Earnings (\$ millions)	145	167	315	283	793	M Investment Tax Credit on Scientific Research and Experimental Development Expenditures.
⊗ * Cash flow from operations (\$ millions)	320	405	655	486	1 480	
Return on capital employed (%)	16.3	12.9	22.8	20.1	16.8	N Local businesses/suppliers are those established in the Regional Municipality of Wood Buffalo
Tax and royalty credits received (\$ thousands) ^M	—	—	—	2 054	235	
INVESTMENTS						
⊗ * Capital and exploration expenditures (\$ millions)	507	1 057	1 808	1 479	617	O Aboriginal businesses include those either established or considering establishing in the Regional Municipality of Wood Buffalo and with 50% ownership by Aboriginal people. Also included are other businesses that Suncor determines provide Aboriginal benefits in the Wood Buffalo region as a result of the company's expenditures
⊗ Research and development (\$ millions)	2.5	6.4	10.9	10.3	1.2	
PURCHASES						
Goods and services (\$ millions)	906.1	1 332.2	2 510.1	2 202.5	1 574.0	
Goods and services purchased in or from (\$ millions)						
Canada	812.8	1 177.7	2 291.8	1 588.4	1 097.8	
Local businesses/suppliers ^N	66.5	82.2	99.8	495.7	394.4	
Aboriginal businesses/suppliers ^O	14.8	25.5	79.6	90.6	58.3	

SOCIAL

98 99 00 01 02

HEALTH AND SAFETY

OIL SANDS

☑ Employee lost-time injury frequency	0.11	0.46	0.14	0.13	0.31
☑ Contractor lost-time injury frequency	0.39	0.19	0.42	0.27	0.29
☑ Employee total recordable injury frequency	1.99	1.85	1.49	1.31	1.87
☑ Contractor total recordable injury frequency	4.59	2.45	2.56	1.83	2.63
☑ Fatalities	1	0	1	0	0
On-site responses by Oil Sands emergency services	—	541	625	591	788
Off-site responses by Oil Sands emergency services	—	4	56	15	48

MAJOR PROJECTS^P

☑ Employee & contractor lost-time injury frequency	—	—	—	—	0.13
☑ Employee & contractor total recordable injury frequency	—	—	—	—	1.96
☑ Fatalities	—	—	—	—	0

EMPLOYEE RELATIONS

☑ Ratio of lowest wage to minimum wage ^Q	—	2.8	2.8	2.7	2.9
Ratio of average wage to minimum wage ^R	—	—	5.5	5.4	5.8
☑ Ratio of jobs offered to jobs accepted	—	1.11	1.20	1.22	1.15
Training and development (\$ thousands) ^S	894	649	1 459	878	770
☑ Employee turnover (%)	4.2	2.9	5.4^T	5.1	5.3
Employee and Family Assistance Program (% utilization)	—	11.8	12.9	11.5	11.8

WORKFORCE

Suncor employees	1 647	1 741	2 057	2 302	2 502
Long-term contractors	362	521	490	715	819
☑ Employee wages (\$ millions) ^U	145.4	158.0	176.2	182.5	226.4
Employee benefits (\$ millions)	15.5	16.0	19.9	21.9	25.6
% of workforce unionized	—	—	—	60.9	67.0

EQUAL OPPORTUNITIES AND DIVERSITY

Workforce diversity (as % of total workforce)

☑ Aboriginals	4.8	6.7	9.3	10.3	10.8
☑ Women	12.3	13.2	14.5	14.0	14.1
☑ Visible minorities	6.8	6.3	6.1	6.6	6.3
☑ Persons with disabilities	2.8	2.7	2.6	2.2	2.1
☑ Women in management (%)	—	—	7.9	7.3	8.6

P Major Projects began to track lost-time injury frequency and total recordable injury frequency from their inception in 2002. The group is primarily made up of contractors.

Q Compares Oil Sands lowest full-time base wage to the Province of Alberta's minimum wage of \$5.90/hour.

R Compares Oil Sands average full-time base wage to the Province of Alberta's minimum wage of \$5.90/hour.

S Includes support of the educational assistance plan that reimburses tuition upon successful completion of a course or program.

T Oil Sands experienced an increase in employee turnover rate as a result of increased employment options in northern Alberta associated with growth of the oil sands industry.

U Employee wages also include Suncor Energy Marketing Inc.

NATURAL GAS AND RENEWABLE ENERGY PERFORMANCE INDICATORS

ENVIRONMENT

	98	99	00	01	02
PRODUCTION					
Processed volume ^A					
☑ thousand barrels of oil equivalent/day	55.2	48.4	52.1	46.5	48.1
☑ thousand m ³ of oil equivalent/day	8.8	7.7	8.3	7.4	7.6
AIR EMISSIONS					
☑ Greenhouse gas (GHG) (thousand tonnes CO ₂ equivalent/yr) ^B	548	523	556	536	489
☑ GHG emission intensity (tonnes CO ₂ equivalent/m ³ production) ^B	0.176	0.193	0.183	0.199	0.175
☑ Sulphur dioxide (tonnes/day) ^C	10.2	9.9	9.6	8.0	6.8
☑ Sulphur dioxide emission intensity (kg/m ³ production)	1.16	1.29	1.16	1.08	0.88
☑ Nitrogen oxides (tonnes/day) ^C	1.81	1.83	1.81	2.14	2.10
☑ Nitrogen oxides emission intensity (kg/m ³ production)	0.22	0.25	0.22	0.29	0.27
☑ Volatile organic compounds (VOC) reported to NPRI (tonnes/day)	—	—	—	—	0.2
☑ VOC emission intensity (kg/m ³ production)	—	—	—	—	0.02
Benzene (tonnes/yr)	—	67.1	66.2	60.5	56.6
☑ NPRI on-site releases reported (tonnes/yr)	0	0	0.14	0.14	3 764
Total gas flaring (million m ³ /yr)	32.2	19.3	16.2	12.2	7.4
Solution gas flaring (million m ³ /yr)	18.5	10.4	4.9	3.0	1.5
ENERGY CONSUMPTION					
Energy use (million gigajoules)	7.1	5.0	4.7	4.5	4.0
Energy intensity (gigajoules/m ³ production)	2.28	1.79	1.53	1.68	1.42
ENERGY GENERATION					
Wind energy generation (MW) ^D	—	—	—	—	5.5

See Suncor-wide Performance Indicators tables for additional notes

- A Represents the total amount of hydrocarbons processed through equipment operated by Natural Gas. It includes production owned by Suncor as well as product owned by others and processed by Suncor. Processed volume is used to calculate emission intensities.
- B Figures have been adjusted to reflect divestments in conventional oil properties and the inclusion of emissions associated with the operations of the Albersun pipeline system, both beginning in 2000.
- C Figures include only those facilities that operate with approval issued under the Alberta Environmental Protection and Enhancement Act. Facilities include the Simonette, South Rosevear, North Rosevear and Progress gas plants.
- D The SunBridge Wind Power Project is a joint venture between Suncor and Enbridge. Total capacity of the project is 11 megawatts (MW).

ENVIRONMENT (continued)

ENVIRONMENT (continued)	98	99	00	01	02	
WATER USE						
Water withdrawal (million m³) ^E	—	—	—	1.2	0.8	E More than 95% of the water is withdrawn from the Deep Valley Creek as part of the operation of the Simonette sour gas processing facility located east of Grand Prairie. The remaining amount is groundwater provided by a number of wells.
Water returned (million m³)	—	—	—	0.05	0.04	
Water retained/used (million m³)	—	—	—	1.15	0.76	
WASTE MANAGEMENT						
Total waste for off-site disposal	13 900	13 512	7 157	8 560	34 167	F Non-dangerous waste to off-site disposal increased significantly in 2002 as a result of the reclamation of the Blueberry facility flare pits, where approximately 12,500 cubic metres of contaminated soil was sent off-site. In addition, the Foothills Operations group sent drilling waste and oil-based cuttings to a landfill site.
Dangerous waste to off-site disposal (tonnes)	—	1 907	2 265	3 502	2 275	
Non-dangerous waste to off-site disposal (tonnes)	—	11 605	4 892	5 057	31 892 ^F	
Waste treated on-site (tonnes) ^G	—	1 927	2 704	0	0	G Until 2000, drilling waste was collected and processed at the well site using technologies such as biocell treatment, composting and landfarming. Beginning in 2001, the treatment of waste was contracted out and hauled off-site to approved landfills and approved disposal wells/caverns.
Waste to deep well disposal (thousand m³) ^H	—	115	123	1 029	956	
Waste reused/recycled/recovered off-site (tonnes)	—	144	123	148	142	
LAND DISTURBANCE AND RECLAMATION						
☑ Total number of producing wells	—	—	—	389	427	I A shut-in well is a well taken out of production by shutting off flow at the wellhead, often with the expectation of resuming production in the future. A suspended well is a shut-in well on which additional subsurface isolation procedures have been performed and which is usually taken out of production due to poor economics. If a suspended well is not brought back into production, it is taken out of service as per regulatory requirements.
☑ Suncor-operated producing wells	—	479	216	245	264	
☑ Shut-in wells/suspended well ^I	—	393	118	101	105	
☑ Number of wells undergoing reclamation	—	—	17	75 ^J	59	J The number of wells undergoing reclamation in 2001 is a best estimate due to staff transition and incomplete records.
☑ Reclamation certificates received	29	11	2	17	6	
COMPLIANCE						
☑ Major incidents	6	0	2	2	0	K Spills that meet reporting threshold volumes as per applicable environmental legislation
☑ Regulatory contraventions	33	20	14	18	21	
Reportable spills ^K	15	13	6	7	6	L Administrative penalties totalling \$20,000 were imposed by Alberta Environment as a result of two separate incidents that occurred at sour gas plants in 1998. A penalty of \$18,000 was assessed for exceeding daily sulphur dioxide emission limits at Simonette and a \$2,000 penalty was assessed for failing to ensure continuous operation of an emission monitor at Progress.
Air quality	3	5	8	9	10	
Water quality discharge	—	1	0	1	0	
Spills to watercourses	1	0	0	0	0	M A fine of \$750 was paid as a result of a single incident when proper authorization was not obtained from a leaseholder prior to the company proceeding to a well site.
☑ Regulatory fines (\$)	1 000	20 000 ^L	750 ^M	3 500 ^N	0	
EH&S MANAGEMENT						
EH&S professionals on staff	3	4	3	2	4	N An administrative fine of \$2,000 was imposed by Alberta Environment Protection for a late submission of the annual wastewater report. In 2000, notice was also received from

ECONOMIC

PRODUCTION

Production

	98	99	00	01	02
⊗ thousand barrels oil equivalent/day ^P	57.5	51.1	40.5	33.4	33.7
⊗ natural gas (million cubic feet/day)	247	226	200	177	179
⊗ thousand m ³ oil equivalent/day	9.1	8.1	6.4	5.3	5.4

Q Represents Natural Gas production exclusive of volumes processed on behalf of others. These values are consistent with those found in Suncor's annual reports but differ from the processed production volumes in the Natural Gas environmental performance section, which does include volumes processed for others

FINANCIALS

⊗* Earnings (\$ millions)	24	41	98	117	35
⊗* Cash flow from operations (\$ millions)	167	172	238	280	164
Return on capital employed (%)	3.3	5.5	17.2	32.1	9.2
Tax and royalty credits received (\$ thousands) ^Q	—	—	—	2 939	6 005

P Gas is converted to barrels of oil equivalent, assuming six million cubic feet of natural gas is equivalent to 1,000 barrels of oil. The new industry standard of a 6:1 ratio replaced the 10:1 ratio in 2001. Figures for 1998-2000 have been recalculated using the new standard

Q Includes the Deep Gas Royalty Holiday Program and Alberta Royalty Tax Credit

INVESTMENTS

⊗* Capital and exploration expenditures (\$ millions)	242	200	127	132	163
⊗ Research and development (\$ millions)	2.9	3.3	1.3	0	0

R The numbers provided for goods and services in the 2001 Report on Sustainability were incorrect. They have been restated to reflect accurate numbers.

S Local businesses/suppliers are those established within the region of Natural Gas developments and operations.

PURCHASES^S

Goods and services (\$ millions)	255	202	229	212	216
Goods and services purchased in or from (\$ millions)					
Canada	254	201	228	211	214
Local businesses/suppliers ^S	248	194	222	207	211

SOCIAL

	98	99	00	01	02	
HEALTH AND SAFETY						
☑ Employee lost-time injury frequency	0	0	0.93	0	0.53	* The number of all verified incidents per 100 million kilometres driven.
☑ Contractor lost-time injury frequency	—	1.01	1.14	0.75	0.73	
☑ Employee total recordable injury frequency	0.77	1.27	0.93	1.55	1.06	† Compares Suncor's lowest full-time base wage in the Calgary corporate office and Natural Gas field locations to the Provincial (Alberta) minimum wage of \$5.00/hour.
☑ Contractor total recordable injury frequency	—	5.84	5.13	4.52	1.82	
☑ Fatalities	1	0	0	0	0	V Compares the average full-time base wage in Suncor's Calgary corporate office and Natural Gas field locations to the Province of Alberta's minimum wage of \$5.90/hour.
Vehicle accident frequency [†]	3.6	5.7	5.0	4.5	7.9	W Includes support of the Suncor educational assistance plan that reimburses tuition upon successful completion of a course or program.
EMPLOYEE RELATIONS						
☑ Ratio of lowest wage to minimum wage ^U	—	1.9	2.1	2.2	2.3	
Ratio of average wage to minimum wage ^V	—	—	4.8	7.1	7.0	
☑ Ratio of jobs offered to jobs accepted	—	—	—	1.0	1.1	
Training and development (\$ thousands) ^W	696	357	379	289	374	
☑ Employee turnover (%)	2.8	2.8	7.9	5.7	3.2	
Employee and Family Assistance Program (% utilization)	—	13.0	8.1	12.5	8.1	
WORKFORCE						
Suncor employees	295	314	182	192	186	
Long-term contractors	97	91	52	72	74	
☑ Employee wages (\$ millions)	26.4	24.7	25.7	25.5	33.7	
Employee benefits (\$ millions)	3.2	3.7	5.3	3.5	3.8	
EQUAL OPPORTUNITIES AND DIVERSITY						
Workforce diversity (as % of total workforce)						
☑ Aboriginals	1.0	0.9	0	0	0	
☑ Women	31.4	29.1	28.3	32.4	33.9	
☑ Visible minorities	5.0	3.9	5.1	4.8	5.4	
☑ Persons with disabilities	5.0	2.6	2.5	2.1	2.2	
☑ Women in management (%)	—	—	18.2	15.6	22.6	

ENERGY MARKETING AND REFINING PERFORMANCE INDICATORS

ENVIRONMENT

	98	99	00	01	02
PRODUCTION					
✓ Gross production (thousand m ³ refined product/day) ^A	12.5	12.2	12.3	11.7	11.9
AIR EMISSIONS					
✓ Greenhouse gas (GHG) without ethanol & cogeneration reductions (thousand tonnes CO ₂ equivalent (CO ₂ E)) ^B	1 017	965	957	928	952
GHG with ethanol reductions (thousand tonnes CO ₂ E) ^C	933	881	825	773	784
GHG with ethanol & cogeneration reductions (thousand tonnes CO ₂ E) ^D	—	—	—	—	755
✓ GHG emission intensity without ethanol & cogeneration reductions (tonnes CO ₂ E/m ³ production)	0.223	0.218	0.213	0.217	0.218
GHG emission intensity with ethanol & cogeneration reductions (tonnes CO ₂ E/m ³ production)	0.205	0.199	0.184	0.181	0.173
✓ Sulphur dioxide (tonnes/day)	5.9	5.6	6.3	6.2	6.6
✓ Sulphur dioxide emission intensity (kg/m ³ production)	0.47	0.46	0.51	0.53	0.55
✓ Nitrogen oxides (tonnes/day)	2.7	2.8	2.6	2.6	2.6
✓ Nitrogen oxides emission intensity (kg/m ³ production)	0.22	0.23	0.21	0.22	0.22
✓ Volatile organic compounds (VOC) reported to NPRI (tonnes/day)	1.4	1.8	1.4	2.1	1.6
✓ VOC emission intensity (kg/m ³ production)	0.11	0.15	0.11	0.16	0.12
Benzene (tonnes/yr)	17.2	19.9	17.0	22.3	11.8
Toluene (tonnes/yr)	64.4	73.4	84.5	48.7	51.6
Ethylbenzene (tonnes/yr)	20.8	24.3	14.6	22.3	15.2
Xylene (tonnes/yr)	81.8	98.3	50.5	92.7	67.1
✓ NPRI on-site releases reported (tonnes/yr)	214	256	197	278	6 873
ENERGY CONSUMPTION					
Energy use (million gigajoules) ^E	16.8	16.6	16.0	15.5	15.8
Energy intensity (gigajoules/m ³ production)	3.69	3.74	3.56	3.62	3.63
Electricity imports (million gigajoules)	1.07	1.02	1.00	1.02	1.01
Electricity import intensity (gigajoules/m ³ production)	0.23	0.23	0.22	0.24	0.23
Steam imports (million gigajoules)	0.97	1.27	1.03	0.92	0.95
Steam import intensity (gigajoules/m ³ production)	0.21	0.29	0.23	0.22	0.22

See Suncor-wide Performance Indicators tables for additional notes.

A Gross production includes product that is internally consumed at the Sarnia refinery and is used to calculate emission intensities. It is representative of emissions associated with total refinery throughput as opposed to only saleable product. Gross production differs from net production in the economic performance section.

B GHG emissions have been recalculated using the American Petroleum Institute and Environment Canada methodologies as outlined in Suncor's Eighth Annual Progress Report to the VCR, October 2002.

C Includes indirect emission reductions as a result of EM&R's actions to blend ethanol into their product gasoline. The reductions vary each year, but range from 84,000 to 168,000 tonnes of CO₂ equivalent.

D The Sarnia refinery began accessing power and steam from cogeneration in the fourth quarter of 2002, accounting for a reduction of 29,000 tonnes of CO₂ equivalent.

E Energy consumption includes natural gas firing and the import of steam and electrical power.

ENVIRONMENT (continued)

	98	99	00	01	02	
WATER USE						
☉ Water withdrawal from the St. Clair River (million m ³)	31.2	31.5	31.5	31.4	28.7	F These values are composites of metered and estimated data. At the Sarnia refinery, more water is returned than drawn from the St. Clair River because additional water is collected from rainfall, snowfall, potable municipal water, condensing steam and water stripped out during the refining process.
Water returned to the St. Clair River (million m ³) ^F	33.9	34.4	34.6	35.1	31.9	
Water retained/used (million m ³) ^G	(2.7)	(2.7)	(3.1)	(3.7)	(3.2)	G This indicator is for the Sarnia refinery only and does not include car washes. Water from car washes is treated to remove harmful contaminants before it is returned to the sewer system.
Car wash (thousand m ³) ^H	—	—	705	723	735	H Water used in retail stations to operate car washes. The municipality in which the service station is located generally supplies the water.
WATER DISCHARGE QUALITY						
Suspended sediment (tonnes)	34.94	30.15	15.84	17.71	19.00	I Only waste generated by the refinery is included. A waste audit, scheduled for 2004, should provide assistance on appropriate calculation methodologies for the terminals and retail sites. These numbers will be included in the 2005 Report on Sustainability.
Oil and grease (tonnes)	8.73	8.29	4.06	3.53	4.46	J Includes 23,000 tonnes of contaminated soil that was bioremediated on-site as part of the cleanup and decommissioning of a bulk plant. The remainder was material landfarmed at the Sarnia refinery.
Phenol (tonnes)	0.07	0.05	0.06	0.05	0.05	K The volume weighted annual average expressed in parts per million. This data is regularly reported to Environment Canada.
Ammonia (tonnes)	6.15	6.44	3.91	3.25	5.02	L EM&R reported 24 incidents to regulatory authorities. Subsequent to reporting, two were not considered regulatory contraventions.
WASTE MANAGEMENT						
Off-site waste disposal (tonnes) ^I	1 297	1 436	1 699	2 469	6 416	M The significant drop in the number of reportable spills in 2000 is due to a regulatory change in the definition of a reportable spill. The threshold volume at which a spill becomes reportable was increased.
Hazardous waste (tonnes)	313	421	308	710	1 643	N Spills that enter the St. Clair river directly, or spills into collection systems that exceed downstream treatment capabilities and result in the release of substances to the St. Clair river with potential to cause adverse impact.
Non-hazardous waste (tonnes)	984	1 015	1 391	1 759	4 773	
Waste reused/recycled/recovered off-site (tonnes)	313	294	168	281	596	
Waste treated on-site (tonnes)	—	24 792 ^J	2 994	1 307	2 262	
PRODUCTS AND SERVICES						
Ethanol blended into gasoline (thousand litres)	102 320	138 113	191 924	227 681	245 754	
Sulphur content of gasoline (ppm) ^K	301	209	192	180	200	
COMPLIANCE						
☉ Major incidents	0	0	0	2	1	
☉ Regulatory contraventions	85	65	22^L	24	20	
Leaks from underground storage tank systems	1	0	0	0	0	
Reportable spills	57	42	7 ^M	6	6	
Water quality discharge	—	3	5	1	2	
Spills to St. Clair River ^N	1	2	1	1	1	
☉ Regulatory fines (\$)	0	0	0	0	0	
EH&S MANAGEMENT						
EH&S professionals on staff	10	11	11	11	11	
Environmental capital expenditures (\$ millions)	6	3	3	4.2	19.6	

ECONOMIC

	98	99	00	01	02
PRODUCTION					
☉* Refined product sales (thousand m ³ refined product/day) ^Q	13.8	13.8	14.6	14.8	14.5
FINANCIALS					
☉* Earnings (\$ millions)	37	27	81	80	61
☉* Cash flow from operations (\$ millions)	112	103	174	165	107
Return on capital employed (%)	7.4	6.0	20.5	18.4	12.5
INVESTMENTS					
☉* Capital and exploration expenditures (\$ millions)	60	42	45	54	60
☉ Research and development investment (\$ millions)	3.5	2.6	4.0	7.2	1.0 ^P
PURCHASES					
Goods and services (\$ millions) ^Q	197.3	182.6	191.7	205.4	243.1
Goods and services purchased in Canada (\$ millions) ^Q	186.2	174.2	182.9	193.4	231.7

O Refined product sales consist of Sarnia refinery production and other product purchases. Figures are consistent with those found in Suncor's annual reports. Refined product sales differ from gross production in the EM&R environmental performance section.

P From 1998-2001, research and development investments were primarily associated with the refinery-wide optimization project in Sarnia. Completion of this project led to a decline in such investments in 2002.

Q The numbers provided for goods and services in the 2001 Report on Sustainability were incorrect. They have been restated for all years to reflect accurate numbers.

SOCIAL

HEALTH AND SAFETY

	98	99	00	01	02
☑ Employee lost-time injury frequency	0.35	0.52	0.81	0.34	0.33
☑ Contractor lost-time injury frequency	0	0	0	1.87	0.29
☑ Employee total recordable injury frequency	1.06	0.69	1.29	1.88	2.00
☑ Contractor total recordable injury frequency	0	0.65	0	4.48	3.48
☑ Fatalities	0	0	0	0	0
Preventable vehicle accidents ^A	11	5	0	8	3

R A preventable vehicle accident occurs when a vehicle makes contact with another stationary or mobile object and the contact could have been prevented had the driver employed proper defensive driving techniques.

S Compares EM&R's lowest full-time base wage to Ontario's minimum wage of \$6.85/hour

T Compares EM&R's average full-time base wage to the Province of Ontario's minimum wage of \$6.85/hour

U Includes support of the Suncor educational assistance plan that reimburses tuition upon successful completion of a course or program.

V EM&R employees for Suncor Energy Products Inc., including permanent and non-permanent employees.

W Long-term contractors include contractors at the Sarnia refinery, based on full-time equivalent staff (total contractor hours worked divided by 2,080 hours), and contractors in the Toronto office.

EMPLOYEE RELATIONS

☑ Ratio of lowest wage to minimum wage ^S	—	2.3	2.2	2.2	2.1
Ratio of average wage to minimum wage ^T	—	—	4.5	5.0	5.1
Training and development (\$ thousands) ^U	728	540	505	564	708
☑ Employee turnover (%)	4.6	4.0	5.1	2.8	2.6
Employee and Family Assistance Program (% utilization)	—	7.3	7.4	10.7	11.3

WORKFORCE

Suncor employees ^V	598	659	667	605	592
Long-term contractors	121	121	121	142 ^W	193 ^W
☑ Employee wages (\$ millions)	49.1	46.2	47.2	46.4	69.5
Employee benefits (\$ millions)	7.6	7.4	6.6	7.8	8.5

EQUAL OPPORTUNITIES AND DIVERSITY

Workforce diversity (% of total workforce)

☑ Aborigines	0.5	0.2	0.2	0.9	1.1
☑ Women	25.4	22.6	23.3	25.2	24.3
☑ Visible minorities	7.9	8.4	7.8	7.8	8.2
☑ Persons with disabilities	2.2	2.4	2.2	1.7	1.7
☑ Women in management (%)	—	—	27.8	17.0	18.4

SUNCOR'S POLICIES AND PROGRAMS ADDRESSING THE GRI GUIDELINES

SUNCOR'S REPORT ON SUSTAINABILITY WAS PREPARED IN ACCORDANCE WITH THE **2002 SUSTAINABILITY REPORTING GUIDELINES OF THE GLOBAL REPORTING INITIATIVE (GRI)**. ALTHOUGH MOST OF THE ELEMENTS OF THE GRI GUIDELINES ARE ADDRESSED THROUGHOUT THIS REPORT, THERE ARE SOME ASPECTS OF THE GUIDELINES THAT WERE NOT ACCOMMODATED IN THE PREVIOUS SECTIONS. INSTEAD, SUNCOR CHOSE TO CREATE THIS TABLE, OUTLINING OUR RESPONSE TO THE REMAINING REQUIREMENTS IDENTIFIED IN THE GRI GUIDELINES.*

Aspect/Indicator	Suncor's Response	GRI Index Ref
Human Rights	As a company operating in North America where there are numerous regulations addressing human rights issues, Suncor has not seen the need to develop an additional and extensive human rights policy and monitoring system. Should they arise, human rights issues will be addressed by the senior vice president of Human Resources and Communications using legislation and the Fundamental Human Rights Conventions of the International Labour Organization as a guide.	HR1 HR2 HR3
Freedom of Association and Collective Bargaining	Suncor operates under applicable labour laws in jurisdictions where we operate. These laws prohibit a company from terminating any individual as a result of choosing to enter into collective bargaining. Suncor has not developed a written policy independent of these laws. Local labour boards monitor Suncor's adherence to these laws. Suncor does not have internal monitoring programs.	HR5
Non-Retaliation and Employee Grievances	Suncor has a number of supporting policies on non-retaliation, which are included in the company's Standards of Business Conduct compliance program. Specifically, Suncor will not penalize, sanction or discriminate against any employee solely because the employee lawfully provides information relating to activities that the employee reasonably believes are illegal or contrary to Suncor policy. Collective agreements also prohibit retaliation solely because of lawful union activity. All bargaining units at Suncor provide mechanisms for employee representation, formal grievance and arbitration.	HR10
Indigenous People	In addition to Suncor's Stakeholder Relations Policy, the Aboriginal Affairs Policy outlines a set of guiding principles to help develop long-term, beneficial and interdependent relationships with Aboriginal Peoples and their communities. These principles include: • recognizing Aboriginal Peoples and communities as the original inhabitants and stewards of the land; • respecting the Aboriginal traditional ways and the political, social and cultural institutions of each community; • acknowledging and accepting responsibility to conduct operations such that Aboriginal communities and Suncor can coexist in a safe and healthy environment; and, • working to support the self-reliance of Aboriginal communities.	HR12
Changes in Operations	When operational changes that could affect employment status are being considered, the company strives to communicate its intentions as soon as possible. Retraining is provided to employees who are moved into different jobs. Those employees that cannot be redeployed are given fair severance packages and outplacing resources to assist them in finding another job. Employees are generally not involved in the decision-making process for restructuring.	LA4
Equal Opportunity	Suncor is in compliance with, or exceeds, the requirements of various programs and legislation as required by our business activities. As a result of that compliance activity, and as part of our long-term people strategy, Suncor is currently developing formal diversity priorities, policies and practices.	LA10
	Suncor is in compliance with the Federal Contractors Program, a comprehensive equity program applied to companies that bid on contracts with the Canadian federal government. Compliance requires adhering to several criteria, including tracking progress against demographic goals in designated employee groups, undertaking formal reviews of programs and policies and designating formal responsibilities for employment equity.	
	In addition, Suncor is also in compliance with Ontario Pay Equity legislation regarding job evaluation, which ensures no gender bias occurs in the valuing of work.	

* As a Canadian company with operations in Canada and the United States only, Canadian and U.S. laws and standards govern our actions at Suncor.

Aspect/Indicator	Suncor's Response	GRI Index Ref
Community Impact Management	In addition to efforts specified in Suncor's Stakeholder Relations and Aboriginal Affairs policies, Suncor works with Aboriginal communities to seek new opportunities for Aboriginals to start businesses that could provide products and/or services to Suncor and other customers. Through this effort Suncor provided support to Mikisew Slings and Safety Ltd. and the Chip Manufacturing Company of Fort Chipewyan. Suncor is a member of the Athabasca Regional Issues Working Group (RIWG), which facilitates the effective and efficient resolution of local issues stemming from oil sands development, such as child care and health services. Data and proprietary information from all developers is collected and integrated into accurate forecasts, which are shared with stakeholders and used as a tool for infrastructure and service planning. Suncor is also a founding member of the Cumulative Environmental Management Association (CEMA). Seen as a model for addressing community impacts, CEMA is defining environmental capacity in the Regional Municipality of Wood Buffalo by reviewing data, research and traditional Aboriginal knowledge to ensure thresholds are not exceeded.	SO1
Bribery and Corruption	Suncor's Improper Payments Policy prohibits company personnel from using corporate funds for illegal or improper purposes including bribery and kickbacks. Suncor maintains books, records and accounts that accurately reflect and properly describe all payments and other transactions. Suncor's policy was designed to align with both Canadian and U.S. foreign corrupt practices legislation. Both countries are signatory to the Organisation for Economic Co-operation and Development (OECD) Convention on Combating Bribery of Foreign Public Officials. Suncor has not recorded a bribery incident since our 2001 Sustainability Report. To ensure continued good performance in this area, employees must read and sign off on the policy each year.	SO2
Political Lobbying and Contributions	Suncor makes political contributions in support of the Canadian democratic process. Suncor's Policy on Political Contributions governs these contributions. No political contributions are made to constituency associations, to individual candidates, to party leaders or for the nomination of candidates. All political contributions, including political fundraising events, are authorized and recorded by the senior vice president, Human Resources and Communications, within a pre-allocated budget approved by the president and chief executive officer. All contributions are reviewed annually by the CEO and Suncor's Corporate Committee.	SO3
PRODUCT AND CUSTOMER RESPONSIBILITY		
Customer Health and Safety	Every Sunoco retail site must follow the guidelines outlined in the Sunoco Retailer Agreement, which includes staff training for environment, health and safety (EH&S). Each site must have mandatory customer warning signs that include notices for turning vehicles off, prohibiting cell phone use and smoking, and listings of acceptable fuel containers. Three times a year Suncor's business development adviser inspects each retail site to ensure appropriate training is in place, health and safety signage for customers and staff is visible and the retail station is operating within EH&S guidelines.	PR1
Product Information and Labelling	Within the Sunoco Retailer Agreement, every site must meet strict operating guidelines for maintaining and keeping Material Safety Data Sheets, first aid kits and eye wash stations. The guidelines also provide procedures for site-specific staff training. These policies and procedures are inspected and verified by an external company, specializing in customer service measurement, as per Suncor's "Strive for Excellence" inspection program three times per year.	PR2
Consumer Privacy	Through our Privacy Policy, Suncor is committed to protecting the privacy and security of the personal information of individuals with whom the company interacts, including customers, suppliers, employees and contractors. The policy states that Suncor cannot use or disclose this information without the person's consent, except in the limited circumstances prescribed by applicable law.	PR3
Customer Satisfaction	Monthly visits are made to all Ontario retail stores by "mystery shoppers" who have been hired by Suncor to make gasoline and store purchases. Each site is measured on reception, service and overall satisfaction of the transaction. Suncor management reviews the results of individual sites and overall scores monthly, which are available internally online.	PR8
Advertising	Sunoco-branded advertising goes through a series of processes to ensure accuracy and factual proofing. Suncor's department managers approve each feature and benefit of our fuels, service and washes. The hired advertising agency and Suncor staff approves all creative pieces of advertising, with both Suncor manager and director sign-off required. These processes cover all of the Sunoco retail stations, which are located in southern Ontario. Suncor has not been in any breach of regulations since our 2001 Report on Sustainability.	PR9 PR10

GRI CONTENT INDEX

Suncor is proud to be the first Canadian organization – and one of only 15 worldwide – to prepare this Report on Sustainability in accordance with the 2002 guidelines of the Global Reporting Initiative (GRI). The GRI voluntary guidelines include both core requirements – requirements companies like Suncor must strive to meet to achieve accordance – and optional requirements.

Our company's progress in covering the requirements is marked in the GRI Content Index. Page numbers and related footnotes are provided for finding more details on specific items within this report.

Meeting all the guideline requirements will take time – but Suncor is committed to a course of continuous

improvement on our journey towards becoming a sustainable energy company.

For more information about the GRI, visit www.globalreporting.org.

Section	Page	Topic	Core	Page	Additional	Page	Topic	Core	Page	Additional	Page
VISION AND STRATEGY		ECONOMIC						SOCIAL			
1.1	3-7	Customers	EC1	44, 50, 63	EC11	44, PI	Employment	LA1	22-24, PI	LA12	23, PI
1.2	3-5		EC2	56				LA2	18, 22, PI		
PROFILE		Suppliers	EC3	PI	EC11	44, PI	Labour/Management Relations	LA3	24	LA13	–
2.1	2		EC4	*				LA4	76		
2.2	2	Employees	EC5	18, 23, PI	EC12	–	Health and Safety	LA5	*	LA14	–
2.3	2		EC6	50, 63				LA6	19-21, *		
2.4	2, 59	Providers of Capital	EC7	63	EC12	–	Training and Education	LA7	4, 18, 19, PI	LA15	–
2.5	2		EC8	63				LA8	*		
2.6	2	Public Sector	EC9	63, 66, 70	EC12	–	Diversity and Opportunity	LA9	PI, *	LA16	–
2.7	2		EC10	18, 25-27, 41, 62				LA10	76		
2.8	2, 50, PI	Indirect Economic Impacts	EC11	18, 25-27, 41, 62	EC13	9, 16, 28, 52, 53	Strategy and Management	LA11	*	LA17	–
2.9	3, 6, 12-16		EC12	18, 25-27, 41, 62				HR1	22-24, 76		
Report, Scope and Profile		ENVIRONMENTAL						HR2	22-24, 76	HR8	–
2.10	IBC	Materials	EN1	*	EN17	5, 33, 48, PI	Non-Discrimination		HR2		
2.11	IFC		EN2	*				EN18	–	Freedom of Assoc. and Collective Bargaining	HR3
2.12	4	Energy	EN3	33, PI	EN19	–	Child Labour	HR4	9, 76		
2.13	59, PI		EN4	33, PI	EN20	–		Forced and Compulsory Labour	HR5	76	
2.14	2, 59	Water	EN5	38, 39, PI	EN21	–	Disciplinary Practices		HR6	*	
2.15	PI		EN6	40-42, 56	EN22	–		Security Practices	HR7	*	
2.16	PI	Biodiversity	EN7	40-42	EN23	PI	Indigenous Rights		HR8	12-16, 28, 52, 76	
2.17	61, *		EN8	30-33	EN24	–		Community	HR9	–	
2.18	PI	Emissions, Effluents and Waste	EN9	33, PI	EN25	–	Bribery and Corruption		HR10	9, 76	
2.19	PI		EN10	34-37, PI	EN26	–		Political Contributions	HR11	–	
2.20	10, 11, 57, 58, 76, 77	Suppliers	EN11	30, 42, PI	EN27	40-42	Competition and Pricing		HR12	–	
2.21	57-60		EN12	PI	EN28	–		Customer Health and Safety	HR13	–	
2.22	8-10, 13, 25, 33, 50, 60, 78, IBC	Products and Services	EN13	PI	EN29	40-42	Compliance		HR14	25-27, 62	
MANAGEMENT SYSTEMS			EN14	29, 30-42	EN30	–		Products and Services	SO1	11-16, 40, 77	
Governance Structure		EN15	*	EN31	–	Advertising	SO2		9, 77		
3.1	8-9	Compliance	EN16	19, PI	EN32		–	Respect for Privacy	SO3	77	
3.2	8		EN17	PI	EN33	–	Products and Services		PR1	77	
3.3	9, *	Transport	EN18	–	EN34	–		PR2	77		
3.4	8-9		EN19	–			EN35		73	PR3	77
3.5	8, *	Overall	EN20	–	EN36	73		PR4			–
3.6	9		EN21	–			EN37		73	PR5	–
3.7	9	Policies and Mgt. Systems	EN22	–	EN38	73		PR6			49
3.8	9		EN23	–			EN39		73	PR7	–
Stakeholder Engagement		EN24	–	EN40	73	PR8		77			
3.9	12-16	EN25	–				EN41	73	PR9	77	
3.10	13-15	EN26	–	EN42	73	PR10				77	
3.11	12-15	EN27	–				EN43	73	PR11	–	
3.12	12-16	EN28	–	EN44	73	PR12				–	
Policies and Mgt. Systems		EN29	–				EN45	73	PR13	–	
3.13	31	EN30	–	EN46	73	PR14				–	
3.14	*	EN31	–				EN47	73	PR15	–	
3.15	16, 21, 55	EN32	–	EN48	73	PR16				–	
3.16	5, 51	EN33	–				EN49	73	PR17	–	
3.17	9, 16, 28, 52, 53	EN34	–	EN50	73	PR18				77	
3.18	2, 46, 47	EN35	–				EN51	73	PR19	77	
3.19	*	EN36	–	EN52	73	PR20				–	
3.20	11, 32, *	EN37	–				EN53	73	PR21	–	

* explanatory information found in the footnotes at night

PI information found throughout Suncor's performance indicators – pages 60-75

IBC Inside back cover

IFC Inside front cover

2.17 The GRI water and energy protocols were not used for reasons of timing and comparability between reporting years. Suncor plans to compare the protocols with current methodologies and adopt a standard that best meets the needs of our company

3.3 A process is in place for the recruitment of new Board members based on skill and experience. The Board seeks a diversity of skills and perspectives that include environmental, social and economic considerations

3.5 Executive compensation is outlined in Suncor's annual proxy circular and can be found on our web site at www.suncor.com. The Human Resource Committee of the Board reviews and endorses executive compensation

3.14 Suncor has developed our own sustainability strategy and other sets of principles to govern company activities. We have not adopted externally developed principles.

3.19 The scope and nature of our programs and procedures is integrated throughout the report. As well, our long-range, 10-year planning process annually addresses sustainability issues that include performance, targets, risks and management, and monitoring systems.

3.20 The Sarnia refinery received ISO 14001 certification in 1999.

LA5 As required by law, Suncor records and notifies provincial occupational health and safety authorities and workers' compensation boards with respect to serious injuries. We do not use the ILO Code of Practice on Recording and Notification of Occupational Accidents and Diseases.

LA6 In addition to committees mentioned elsewhere in this report, the EH&S Functional Support Team, comprised of EH&S professionals from each Suncor business, meet quarterly to address company-wide issues and ensure compliance to Suncor's EH&S management system.

LA8 Suncor has numerous policies and programs to protect against discrimination and provide support for individuals with any disease. They are not specific to HIV/AIDS

LA9 Suncor tracks dollars spent on training and education (see performance indicators, pages 60-75), rather than the average hours of training.

LA11 Of Suncor's 12 Board members, two are female and one is Aboriginal. Our Corporate Committee is comprised of 11% females.

HR6 Suncor has no specific policies or monitoring program on child labour, but adheres to Canadian labour laws and the International Labour Organization, Conventions 182 and 138.

HR7 Suncor has no specific policies or monitoring program on forced and compulsory labour, but adheres to the International Labour Organization, Convention No. 29.

EN 1 With the exception of water and energy use, Suncor does not track material use.

EN 2 The percentage of materials used that are wastes from external sources is not currently tracked.

EN15 Since our gasoline and diesel products are consumed during customer use, none of the product is reclaimed. Suncor's ongoing work to improve our product includes lowering the sulphur content of gasoline and enhancing it with ethanol – a cleaner burning, renewable and biodegradable resource. See story page 49.

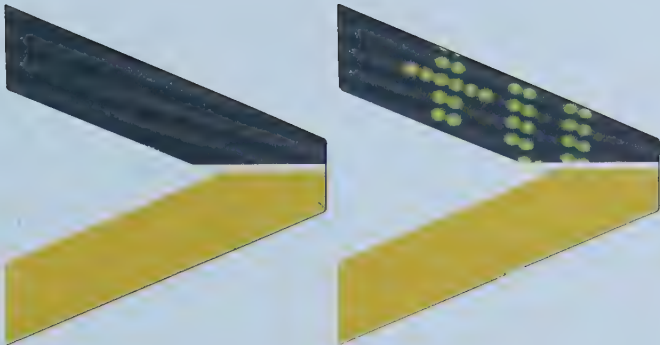
EC4 Implementation of a program to track percentages of contracts paid is under way.

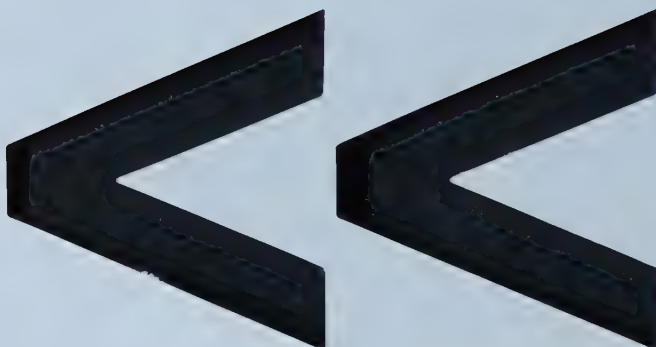


The Dow Jones Sustainability Index (DJSI) follows a best-in-class approach to select sustainability leaders from each industry sector. Suncor has been part of the DJSI since the index was launched in 1999.

Imagine  A Caring Company







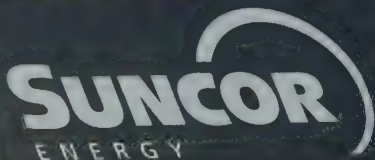
11 MESSAGE TO SHAREHOLDERS	16 MANAGEMENT'S DISCUSSION AND ANALYSIS
52 FINANCIAL STATEMENTS	98 INVESTOR INFORMATION
	99 CORPORATE DIRECTORS AND OFFICERS

This annual report contains forward-looking statements that involve risks and uncertainties. Actual results may differ materially. See page 51 for additional information. All financial information is reported in accordance with Canadian generally accepted accounting principles (GAAP) and in Canadian dollars unless noted otherwise. Financial measures not prescribed by GAAP include cash flow from operations, return on capital employed, and cash operating costs. See page 50 for more details. Natural gas converts to crude oil equivalent at a ratio of six thousand cubic feet to one barrel. References to "Suncor" or "the company" mean Suncor Energy Inc., its subsidiaries and joint venture investments, unless the context otherwise requires.



straightforward

Going through the most accelerated energy transition strategically to deliver an expanding role of the world's largest petroleum resource base. — Conoco's Athabasca oil sands. With a strong focus on technology, integration and innovation, we built an 17-year oil sands enterprise. This is a complex business, the core strategy for building shareholder value. Straightforward: develop multiple sources of oil sands supply from the huge oil sands resource base, employ a staged approach to accelerated oil processing technology to increase production and convert that production to the growing North American energy market (residential, power, industrial) via various oil supply agreements.



straightforward vision

>> **INCREASE** crude oil production to more than half a million barrels of oil per day in 2010 to 2012. >> **STRENGTHEN** our cost-competitive position among North American crude oil producers. >> **MANAGE** our business to deliver superior shareholder returns, while providing social and economic benefits to our stakeholders and reducing the environmental impact of our operations.

results

>> Suncor's ability to generate shareholder value is a reflection of the company's focus on growth opportunities that provide strong financial returns.

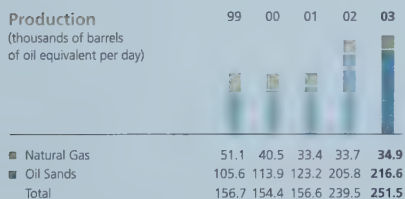
financial highlights

Year ended December 31	2003	2002	2001	2000	1999
Financial (\$ millions)					
Revenues	6 306	5 032	4 294	3 484	2 452
Net earnings	1 084	761	388	377	186
Cash flow from operations	2 081	1 440	831	958	591
Capital, acquisition and exploration expenditures	1 588	877	1 678	1 998	1 350
Total assets	10 427	8 683	8 094	6 833	5 176
Net debt	2 091	2 671	3 143	2 236	1 334
Dollars per Common Share					
Net earnings attributable to common shareholders per share – basic	2.43	1.64	0.79	0.78	0.39
Net earnings attributable to common shareholders per share – diluted	2.26	1.61	0.78	0.77	0.39
Cash flow from operations after deducting dividends paid on Preferred Securities	4.53	3.11	1.76	2.06	1.26
Cash dividends	0.19	0.17	0.17	0.17	0.17
Market Price of Common Shares at December 31 (closing)					
Toronto Stock Exchange	32.50	24.70	26.20	19.15	15.10
New York Stock Exchange (US\$)	25.06	15.67	16.45	12.85	10.45
Key Ratios – %					
Debt to debt plus shareholders' equity	35.9	43.7	53.1	47.7	38.9
Net debt to cash flow from operations (times)	1.0	1.9	3.8	2.3	2.3
Return on shareholders' equity	27.5	24.4	14.8	16.5	10.3
Return on capital employed ⁽¹⁾	18.3	14.6	17.8	16.6	8.3
Oil Sands ⁽¹⁾	20.6	16.8	20.1	22.8	12.9
Natural Gas	29.2	9.2	32.1	17.2	5.5
Energy Marketing and Refining	10.2	12.5	18.4	20.5	6.0

(1) Excludes capitalized costs related to major projects in progress.

Production

(thousands of barrels of oil equivalent per day)



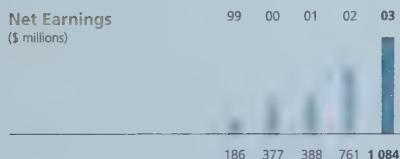
Cash Flow from Operations/Net Debt

(\$ millions)



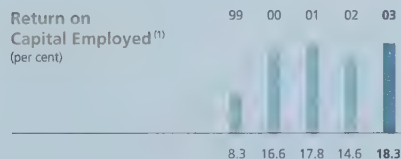
Net Earnings

(\$ millions)



Return on Capital Employed ⁽¹⁾

(per cent)





RESOURCES

Suncor's future is built on our proud history as pioneers in one of the world's largest resource basins – Canada's oil sands. As North America's conventional offshore supplies of crude oil are depleted, the estimated 175 billion barrels of crude oil reserves in Canada's oil sands are an important and accessible source of energy. Suncor was the first company to commercially develop the oil sands and, with 37 years' experience, we remain an industry leader. Our lands contain an estimated 12 billion barrels of bitumen reserves and resources – heavy oil that is the building block of Suncor's range of crude oil products. With this large, known resource base, Suncor doesn't leave the oil sand left unexplored with conventional engineering. We locate where the resources are – and how to develop them.

Barrels of bitumen (millions)

Proved

1 200

Probable

1 500

Reserves and resources

12 000

Barrels of bitumen reserves
and resources translated into
crude oil (millions)

10 000



Maintenance is key to ensuring reliable feed of bitumen to the upgrader. (L TO R) Lewis Way, heavy equipment technician; Scott Hubert, welder; John Forsberg, heavy equipment technician

Suncor's strategy to increase oil production draws on three sources of bitumen supply: mining, in-situ and third party agreements. Technology is also a key building block for Suncor. Through research and development, we pursue technology that reduces operating costs and environmental impacts.

MINING

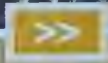
Surface mines adjacent to our extraction and upgrading facilities supply the majority of Suncor's current bitumen production. In 2003, Suncor announced preliminary plans to extend the Steepbank mine, with construction targeted in 2007 and operations planned to begin in 2010. Technological advancements – from mobile crushers to new extraction methods – are being assessed as part of Suncor's continuous efforts to improve operations.

IN-SITU

Suncor's Firebag development uses steam assisted gravity drainage (SAGD) to heat the underground reservoir, allowing the bitumen to be pumped to the surface. The first stage of Firebag began delivering initial quantities of bitumen to Suncor's upgrader in 2004 and is expected to be at full production in 2005. Technology also plays a role here, as we research new ways to reduce energy consumption and increase recovery rates.

THIRD PARTY AGREEMENTS

Suncor's strategy is to supplement mining and in-situ development with third party supply and processing agreements. This strategy is expected to take a major step forward in 2008 with a fee-for-service agreement to process 27,000 barrels per day of third party bitumen.



production

sure or do we? And how productive we manufacture it. Our Oil Sands upgrading facilities provide Canada's abundant supply of bitumen into 225,000 barrels per day of the higher value crude oil products the market demands. And we're moving forward with major growth plans.

- Plantek refinery is designed to provide more than just increased oil production – it's expected to provide greater operational flexibility by effectively adding new business lines for wide oil products and leveraging economies of scale. This is key to keeping our costs per barrel among the lowest in the North American oil industry.





Extracting bitumen from oil sands is the first step in manufacturing higher value crude oil products

manufactured growth

STRAIGHT FORWARD TO MORE THAN HALF A MILLION BARRELS PER DAY

The goal of Suncor's growth strategy is to more than double production to 500,000 to 550,000 barrels per day in the 2010 to 2012 time frame. And, just as importantly in a capital-intensive business like Oil Sands, the goal is to also realize that production increase while maintaining a return on capital employed of more than 15% at mid-cycle oil prices (US\$22 WTI). To reach these objectives, Suncor is planning a staged approach to expanding the existing twin-train upgrading operation and ultimately constructing a third complete upgrader.

It's a long-term vision, but Suncor's next planned stage of growth is just around the corner. With the addition of a new vacuum tower to Upgrader #2, we're targeting production capacity of 260,000 barrels per day in 2005. That represents an increase of about 15% over planned 2004 production levels – a rate of growth that few major oil producers can match.

Carrying that growth momentum forward, Suncor is targeting to boost production again – to 330,000 barrels per day in late 2007 with the planned addition of a new coker to Upgrader #2.

PROVIDING ENERGY TO THE BOTTOM LINE

Suncor produces and markets more natural gas than we use. This provides a "price hedge" that helps protect our bottom line from unpredictable increases in energy prices. For example, with higher natural gas prices over the past year, increased revenues from our own natural gas production offset higher Oil Sands and refining costs. To maintain this price hedge, Suncor is targeting production growth of 3% to 5% per year, with a 2004 production target of 190 to 195 million cubic feet per day (mmcf/d) – well in excess of planned natural gas purchases of 120 mmcf/d.



Source: International Energy Agency
 projected increases from 2008 to 2030

markets

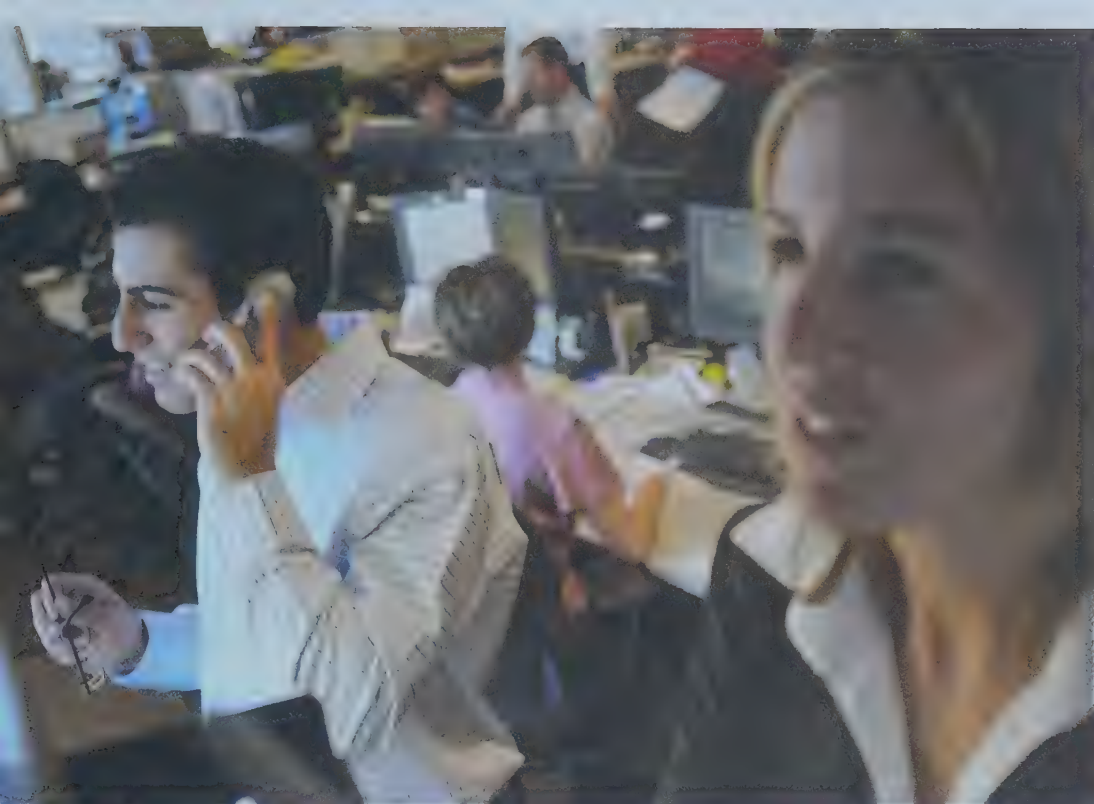
Suncor's refining and marketing strategy builds on the competitive advantage of having secure relationships between our Oil Sands production base and North American refiners and consumers – the largest crude oil and refined product market in the world. And at Suncor, we don't just supply the market – we participate in it, taking products straight to customers through long-term marketing agreements, short-term marketing contracts, and our own refining operations and retail distribution.



Fig. 1: Oil Refining Capacity

Source: International Energy Agency

Projected increases from 2008 to 2030



Customers are important to Suncor. Colleen Hoff, natural gas controller/scheduler and Omeed Sharif, market trading analyst

connecting to customers

MARKETING AGREEMENTS

With a range of nine custom-blended crude oil products, including heavy and sour blends, our goal is to match our product portfolio to the needs and capabilities of refiners, creating value for Suncor and our customers. From Alberta to Illinois and Sarnia to Denver, more than 70 refining operations are connected to Suncor production through North America's extensive pipeline network.

REFINING

Suncor's own refining operations support our integrated strategy with a range of refined products from our 70,000 barrel per day refinery in Sarnia, Ontario, and 60,000 barrel per day facility in Denver, Colorado. Through these operations, Suncor supplies a range of products including gasoline, distillates, asphalt and petrochemicals to industrial, commercial and retail customers. With plans to increase the capacity of the Sarnia and Denver refineries to process additional

heavy and sour crude volumes, Suncor is working to reduce the capital investment required for sour product treatment at our Oil Sands operation.

RETAIL

In the Ontario market, Suncor operates nearly 300 Sunoco-branded retail stations and supplies products to more than 200 other stations through joint venture operations. With the acquisition of refining, pipeline and retail assets in Colorado in 2003, Suncor added 43 Phillips 66-branded retail stations in Colorado and long-term supply contracts with nearly 150 more retailers.

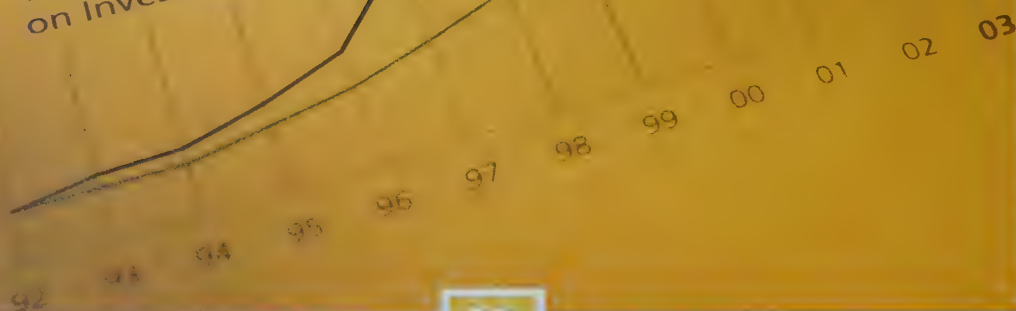
RENEWABLE ENERGY FOR NEW MARKETS

While we produce hydrocarbon fuels to meet today's needs, Suncor is investing to supply new markets for renewable energy. In 2003, we began construction of the Magrath Wind Power Project in southern Alberta, with partner EHN Wind Power Canada, Inc.

Total Return
on Investment

Suncor Energy \$1,430

S&P 500 \$314



\$100 invested in Suncor on Dec. 31, 1992 – the year Suncor became publicly traded – would have grown to \$1,430 by the end of 2003, assuming reinvestment of dividends.

Suncor's large resource base, low-cost production and market connections add up to a proven strategy that is all about creating shareholder value. Since Suncor became a publicly traded company in 1992, total returns to our shareholders have averaged more than 25% per year.

While Suncor works to build shareholder value, we are striving to build the corporate values that are an integral part of sustainable, long-term success: environmental responsibility, a commitment to community development, strengthening local economies and creating a workplace culture focused on safety, respect, opportunity and reward.



Rick George, president and chief executive officer

straight talk

MESSAGE TO SHAREHOLDERS

Straightforward – it's a word that describes much of what I believe makes Suncor an exceptional company. It describes an approach to growth, a value proposition for our shareholders, an attitude toward stakeholder relationships, and a confident outlook toward building an even stronger company. It describes the path Suncor has taken to become a major North American energy producer – and where we're going.

STRAIGHTFORWARD STRATEGY

While the technology and know-how that drive Suncor's business are complex, the strategy is straightforward: develop our large Oil Sands resource base, expand upgrading operations to increase crude oil production and efficiently integrate our products into the growing North American energy market.

(>> see strategy pull-out, left)

Suncor's strategy starts in Canada's Athabasca oil sands, one of the world's largest resource basins. Suncor has leveraged the advantage of being the first to realize the commercial potential of the oil sands by assembling a large resource base with excellent development potential. Today, Suncor leases hold an estimated 12 billion barrels of bitumen reserves and resources, providing the raw materials to produce a potential 10 billion barrels of oil. And we're working on innovative partnerships to tap into reserves beyond our own lease boundaries.

Our vast resources are connected to upgrading operations that process bitumen into a range of higher value crude oil products. In the past decade, Suncor has expanded our original upgrader and, in 2001, we added a second complete upgrading train. Further expansions of the second upgrader are planned and, ultimately, a third Oil Sands upgrader is envisioned in 2010 to 2012.

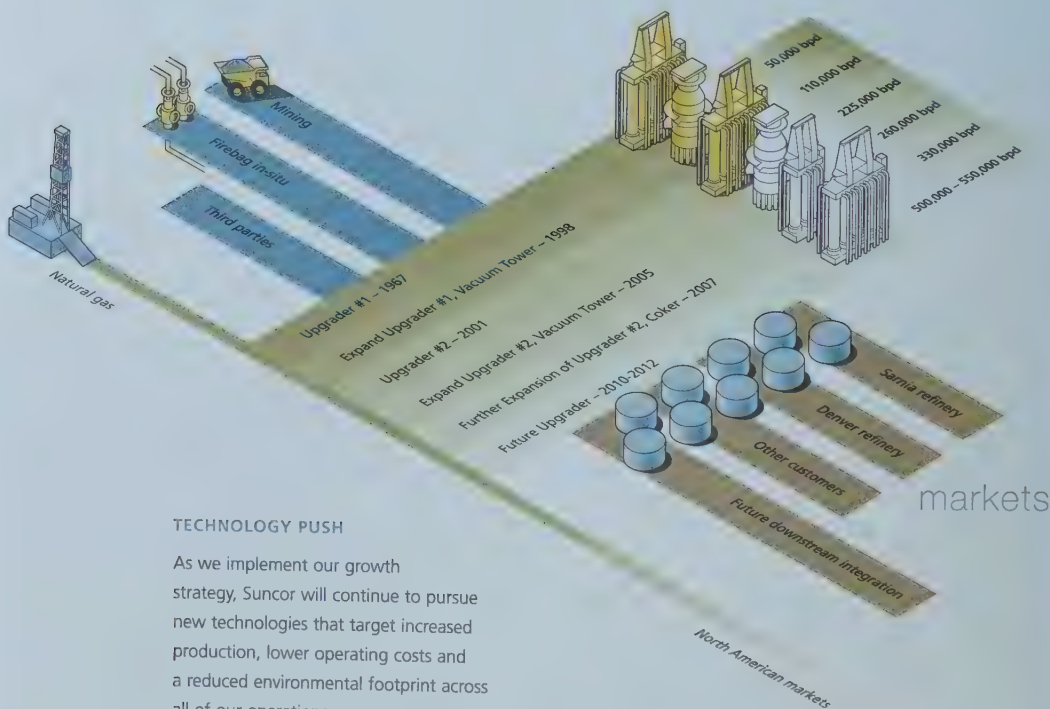
straightforward strategy

>> Suncor's large **RESOURCE** base, low-cost **PRODUCTION** and **MARKET** connections are all part of an integrated strategy for growing profitably and generating consistent, high returns on capital employed. How do we build on this proven model as we move toward our goal of producing more than half a million barrels of oil per day? The answer is straightforward. >> **We make it bigger.**

resources

production

(capacity)



MARKET FULL

Chemicals and Feedstock (Murray)
Refining (Sarnia, Fort St. Vrain)
Renewable Energy
Natural Gas (Western Canada)
Power Generation (Sarnia, Fort St. Vrain)
Transportation (Sarnia, Fort St. Vrain)
Processing and Refining (Sarnia, Fort St. Vrain)
Oil Sands (Fort McMurray, Alberta)
Oil Refining (Sarnia, Ontario)

Oil Refining



MARKET FULL

Suncor's pioneering history and spirit of innovation prove it takes more than a large resource base to succeed. It takes the right people. Across our businesses, we strive to create a workplace that is safe, stimulating and fair; a place where each of the company's 4,000 employees has the opportunity to contribute to Suncor's success, take on new challenges and achieve personal goals.

OIL SANDS

Located near Fort McMurray, Alberta, Oil Sands forms the foundation of Suncor's assets and is at the centre of our growth strategy. The business recovers bitumen (a tar-like, heavy oil) through mining and in-situ development and upgrades it into refinery feedstock and diesel fuel. Future plans for Oil Sands remain focused on investments expected to increase production, decrease operating costs and improve environmental, health and safety performance.

NATURAL GAS AND RENEWABLE ENERGY

Based in Calgary, Alberta, this business develops and produces natural gas in Western Canada to provide a price hedge against internal consumption at our

Oil Sands and refining operations. This business also supports Suncor's environmental goals by managing renewable energy projects and initiatives aimed at reducing greenhouse gas emissions.

REFINING, MARKETING AND RETAIL

Refining: Suncor's custom-blended refinery feedstock and natural gas production are marketed to a wide range of commercial and industrial customers. As well, products from Suncor's Sarnia, Ontario refinery are sold to customers in Ontario, Quebec and the northeastern United States and to retail customers through more than 500 Suncor-owned and joint venture operated service stations in Ontario.

United States: In August 2003, Suncor acquired a Denver, Colorado refinery, along with 43 Phillips 66-branded retail stations and associated storage, pipeline and distribution facilities. Suncor's expansion into the Rocky Mountain states allows greater flexibility to move crude oil products to U.S. markets, while providing Colorado consumers with a reliable, long-term source of crude oil.

The strategic bookend of our large resource base is the North American energy market – the largest crude oil and refined products market in the world. As we expand production, Suncor is also expanding our market connections to build a stable customer base for our products. Our sales portfolio includes long-term contracts with several refineries, balanced with short-term agreements with other customers. Suncor's own refineries in Denver and Sarnia take our strategy a step further, providing potential internal markets in periods of excess capacity, while allowing Suncor to capture further value from our range of fuels, distillates, byproducts and petrochemicals.

Suncor's strategy – based on a large resource base, expanding production and effective market integration – has generated significant returns to shareholders, averaging more than 25% since the company became publicly traded in 1992.

2003 HIGHLIGHTS

With a year of expanded operations under our belt, Suncor continued to push production upward in 2003. Oil Sands production increased to 216,600 barrels per day (bpd) from the previous year's record of 205,800 bpd. This increase was realized despite a 30-day maintenance shutdown to Upgrader #1, clearly underlining the benefits of a twin-train upgrading operation: we can continue to produce oil – and cash flow – while major maintenance is under way. During the maintenance shutdown, Suncor also took the opportunity to replace the original 1967-vintage fractionation vessel, which should contribute to steady and reliable production going forward.

Economies of scale and a business-wide focus on operational excellence helped control Oil Sands operating expenses, although the high price of natural gas continued to challenge our goal of

2003: What we promised and what we delivered



Increase Oil Sands production to an average of 215,000 barrels per day (bpd). **>> Production exceeded Suncor's goal, averaging 216,600 bpd.**

Increase Natural Gas production volumes to 185 to 190 million cubic feet per day (mmcf/d). **>> Production was on target at 187 mmcf/d, providing a continuing price hedge against internal consumption.**

Improve Oil Sands operational reliability through a maintenance shutdown of one of two upgraders. **>> Suncor completed a maintenance shutdown in the second quarter, contributing to strong, steady production through the second half of 2003.**

Reduce Oil Sands cash operating costs to an average of \$10 per barrel, at an assumed natural gas price of US\$3.60 per thousand cubic feet (mcf). **>> At \$11.50 per barrel, cash operating costs were short of 2003 targets. However, natural gas prices were 50% higher than assumed.**

Begin steam injection at the Firebag in-situ operation with first bitumen in early 2004. **>> Steam injection began in late 2003 with initial volumes of Firebag bitumen delivered to the upgrader in January 2004.**

Submit to regulators a development application to advance the Voyageur growth strategy. **>> An application for an additional coker, a key step in the Voyageur strategy, was filed in 2003. Regulatory approval was granted in February 2004.**

Roll out a retail site redevelopment strategy for the Sunoco-branded retail network and begin producing low sulphur gasoline ahead of regulated deadlines. **>> More than 50 Sunoco convenience stores were renovated to enhance their appearance. Start-up of low sulphur gasoline production began January 2004.**

Pursue energy efficiencies, greenhouse gas offsets and new renewable energy projects. **>> Oil Sands energy use per unit of production decreased nearly 10% in 2003 and construction began on the 30-megawatt Magrath Wind Power Project.**

reducing costs per barrel. Average cash operating costs for the year were \$11.50 per barrel. Although this was within the range we revised in March 2003, it was still an increase over 2002.

It's important to point out, however, that while high natural gas prices put pressure on Oil Sands costs, they continue to be a net benefit to Suncor's bottom line. Suncor's Natural Gas business increased production for the third straight year, reaching 187 mmcf/d against 2003 purchases of about 100 mmcf/d to power our Oil Sands and refining operations. This price hedge – producing more natural gas than we purchase – plays an important role in reducing Suncor's exposure to unpredictable energy prices.

In the downstream, Suncor took a major strategic step in 2003 with the acquisition of a refinery in Denver and related pipeline and retail assets. For

several years, we've investigated downstream integration opportunities to expand our market reach, but always with the caveat that any acquisition would be in the right place, at the right price and the right time. This acquisition fit the bill on all counts, providing access to a strong U.S. Rocky Mountain market at a price that should help meet our goal of generating a minimum 15% return on capital employed. I'm very pleased to have this new business and new members of the Suncor team with us as we move forward. Together with our operations in Sarnia, we now have twin refining operations to support our twin Oil Sands upgrading trains.

Increased production, tight management of cash operating costs, high commodity prices and strong refining margins all contributed to record financial results in 2003. Net earnings broke through the

2004: Our targets and how we'll get there



Reduce lost-time injury frequencies. >>

Our Journey to Zero safety program will continue to promote awareness, leadership and a safety culture across Suncor's operations.

Increase Oil Sands production to an average of 225,000 to 230,000 barrels per day. >>

With no scheduled maintenance and two years of experience running our second upgrading train, we are targeting full capacity production in 2004.

Increase natural gas production volumes to 190 to 195 mmcf/day. >>

Suncor will continue to focus on high impact natural gas plays as we work toward our annual target of 3% to 5% production growth.

Maintain Oil Sands cash operating costs at an annual average of \$10.75 to \$11.75 per barrel at assumed natural gas prices of US\$5.50 per mcf. >>

Suncor will continue to focus on energy management and operational efficiency with a target of maintaining our position as one of the lowest cost crude oil producers in North America.

Expand our refining, blending and distribution operations through use of increased production. >>

Suncor will begin construction of a new refinery expansion and continue to optimize our existing operations.

Advance downstream integration plans. >>

We will begin modifications to the Sarnia refinery complex to meet low sulphur diesel regulations and the integration of increased volumes of

Maintain a strong balance sheet. >>

Suncor will continue to target net debt at two times EBITDA and we focus on delivering growth projects on schedule and

Continue to pursue energy efficiencies, greenhouse gas offsets and new renewable energy projects. >>

A decision on construction of an ethanol facility in Sarnia is expected in 2004 and the Magrath Wind Power Project is planned to be operational by the end of

billion dollar mark for the first time, increasing to \$1.08 billion from \$761 million in 2002. Cash flow from operations also set a new milestone, edging over the \$2 billion threshold and helping Suncor to aggressively pay down debt. At year-end, Suncor's net debt stood at \$2.1 billion, down more than \$1 billion from the end of 2001. Nearly \$890 million of this reduction was generated from cash flow with the balance attributable to foreign exchange gains. This places our balance sheet in a much stronger position as we look toward future investments in growth projects – projects that made major strides in 2003.

The first stage of Suncor's Firebag in-situ development started steam injection in late 2003 and delivered initial volumes of bitumen to upgrading in early 2004. The start-up of Firebag will continue through 2004 with full operational capacity expected in 2005. Coinciding with that target date is the planned commissioning of a second vacuum unit at our upgrading operations. Together, these growth projects are expected to deliver production capacity of 260,000 bpd in 2005. I am pleased to report both projects are on schedule and tracking to their total \$1 billion budget.

That's a trend we expect to continue as we build toward our goal of increasing production to half a million barrels per day by 2010 to 2012. We're confident we can maintain tight control of construction costs and schedules with an experienced project management team and a staged approach to growth. As an established oil sands company with existing assets, we know best how to build the infrastructure to expand our operations. And we can grow by adding one piece at a time – at the right time.

PLANS AND PRIORITIES

While Suncor's strategy remains unchanged, we continue to pursue new technologies and innovative ideas that help us to safely deliver that strategy at lower cost and with less impact to the environment. Suncor's operational targets for 2004 all fit within five broad priorities that keep us moving forward toward our goals.

>> Increase oil production Suncor's medium-term goal is to increase oil production by an average of 10% per year over the next five years. In 2004, Suncor is targeting Oil Sands production of 225,000 to 230,000 bpd. The upper end of this range goes beyond the average production we had previously expected from the Oil Sands plant. However, with production in the second half of 2003 averaging

more than 230,000 bpd and no planned maintenance at Oil Sands in 2004, it's a target that's within reach.

>> Control Oil Sands cash operating costs Suncor is targeting cash operating costs in 2004 of \$10.75 to \$11.75 per barrel based on a natural gas price of US\$5.50 per thousand cubic feet. While natural gas prices remain a wild card, we will maintain our focus on driving down the expenses we can control. Keeping cash operating costs on target is key to our goal of achieving a 15% return on capital employed at mid-cycle crude oil prices of US\$22 WTI.

>> Maintain a strong balance sheet Suncor is targeting net debt at two times cash flow from operations at mid-cycle crude prices. A strong balance sheet is expected to help us achieve our growth goals and withstand the ups and downs of the crude oil price cycle. Capital spending is planned to average \$1.7 billion to \$1.9 billion through 2011 as we continue to build for future growth.

>> Build for future growth The goal is 500,000 to 550,000 bpd of oil by 2010 to 2012. The first step toward that goal is in 2005, when production capacity is expected to grow to 260,000 bpd. The next step change is expected in late 2007 when an additional coker is planned for Upgrader #2, taking production capacity to 330,000 bpd.

Bitumen to feed our increased production capacity is planned from three sources: mining, in-situ development and third party agreements. In early 2004, Suncor began environmental impact assessments on a proposed extension of the Steepbank mine. Pending Board and regulatory approvals, construction would begin in 2007 with completion targeted in 2010. We plan to advance plans for in-situ development with Firebag stage two, which is now under construction. And the third key piece in our bitumen supply plans – third party agreements – will become a bigger part of the Suncor strategy beginning in 2008. Under an agreement signed last year, Suncor will process a minimum of 27,000 bpd of Petro-Canada's bitumen on a fee-for-service basis. After initial upgrading, these volumes will be shipped with an additional 26,000 bpd of Suncor product to Petro-Canada's Edmonton facility, providing a long-term market for new production coming on stream.

In our downstream operations, new investment at both the Sarnia and Denver refineries is planned to meet clean fuels legislation in Canada and the United States. As we complete these modifications, we'll also look for opportunities to lay the groundwork to increase the volumes of Oil Sands product that can be refined at these facilities.

>> **Focus on safety** As we build for the future and work to deliver on our goals, one priority stands out above all others: the safety of our employees and contractors. While we have much to celebrate and great confidence for the future, a fatality in August cast a shadow over the past year. Trevor Daye, a young employee, was killed on the job at Suncor's Sarnia refinery. It was a painful reminder of the importance of work site safety and that everyone at Suncor must make safety our number one priority. Nothing less is acceptable. Excellence on the job starts with safety and I pledge to make it my job to drive this message home, every day.

RESPONSIBLE GROWTH

Our commitment to health and safety extends beyond the workplace to the well-being of our communities and our shared environment. Suncor's vision of sustainability recognizes that environmental, social and economic performance are complementary and interdependent. Working with our stakeholders to deliver strong results in all three areas provides a solid foundation for growth by helping us earn continued support for our current operations and future plans.

Sustainability also requires that Suncor take both a broad and long-term view of the risks and opportunities in our business. One area of opportunity in which we continue to move forward is renewable energy. In 2003, Suncor began construction of our second wind power project near Magrath in southern Alberta. Our parallel path approach – responsible development of hydrocarbon resources combined with investment in renewables – is aimed at meeting today's energy needs while building commercially viable green energy sources for the future. Together with the SunBridge Wind Power Project, the Magrath project is expected to offset the equivalent of 115,000 tonnes of greenhouse gas emissions each year when it is commissioned in late 2004.

Investment in renewables, along with energy efficiency projects, carbon capture research and emissions offsets, is part of Suncor's climate change action plan. Since we launched this plan 10 years ago, we've made solid

progress and our goal remains to reduce the emissions intensity and the overall environmental impact of every energy product we deliver to the market.

SUNCOR PEOPLE

As our business has grown, so has our workforce. Today, the Suncor team numbers more than 4,000 employees whom I believe to be among the best in the energy business. We strive to make Suncor the employer of choice for industry veterans and bright new talent alike. Our success over the past decade is testament that we are meeting that goal. The continuing high quality of the Suncor team – from the frontline operations employees to management and the Board of Directors – is essential to moving our strategy forward.

While straightforward describes Suncor's growth strategy, it also describes our approach to corporate governance. Suncor's management and Board understand that the owners of the company – our shareholders – expect high returns, high ethical standards and transparent disclosure on their investment. We work hard every day to meet those expectations and Suncor has been repeatedly recognized as being among Canada's leaders in governance and disclosure.

STRAIGHT FORWARD

Suncor's business strategy and staged plans for growth offer shareholders a direct line of sight to our goals and how we plan to accomplish them. Because we have relatively few constraints to finding resources or getting products to the market, we believe we are uniquely positioned to plan our growth with confidence straight through to the end of the decade.

That confidence comes from a proven strategy of developing a large resource base, increasing Oil Sands production and integrating our products into a growing market, all supported by an experienced team of dedicated employees and management.

On behalf of Suncor's employees, management and your Board of Directors, thank you for your continuing confidence in Suncor. Together, we're moving straight forward – toward building shareholder value.



Rick George
President and Chief Executive Officer

management's discussion and analysis

February 26, 2004

This Management's Discussion and Analysis (MD&A) contains forward-looking statements. These statements are based on certain estimates and assumptions and involve risks and uncertainties. Actual results may differ materially. See page 51 for additional information.

This MD&A should be read in conjunction with Suncor's audited consolidated financial statements and the accompanying notes. All financial information is reported in Canadian dollars (Cdn\$) and in accordance with Canadian generally accepted accounting principles (GAAP) unless noted otherwise. The financial measures cash flow from operations, return on capital employed (ROCE) and cash operating costs referred to in this MD&A, are not prescribed by GAAP and are outlined and reconciled in Non-GAAP Financial Measures on page 50.

Certain amounts in prior years have been reclassified to enable comparison with the current year's presentation.

Natural gas converts to crude oil equivalent at a ratio of six thousand cubic feet to one barrel.

References to "Suncor" or "the company" mean Suncor Energy Inc., its subsidiaries and joint venture investments, unless the context otherwise requires.

The tables and charts in this document form an integral part of this MD&A.

Additional information about Suncor filed with Canadian securities commissions and the United States Securities and Exchange Commission (SEC), including periodic quarterly and annual reports and the Annual Information Form (AIF/40-F) is available on-line at www.sedar.com and www.sec.gov.

>> Suncor Overview and Strategic Priorities

Suncor Energy Inc. is an integrated energy company headquartered in Calgary, Alberta. The company operates four business segments:

>> **Oil Sands** Suncor's core business, located near Fort McMurray, Alberta, produces bitumen from oil sands and upgrades it to refinery feedstock, diesel fuel and byproducts.

>> **Natural Gas (NG)** produces natural gas in Western Canada, providing revenues and creating a price hedge against the company's purchased natural gas consumption.

>> **Energy Marketing and Refining – Canada (EM&R)** operates a 70,000 barrel per day (bpd) capacity refinery in Sarnia, Ontario, and markets refined petroleum products to customers primarily in Ontario and Quebec, including retail customers in Ontario under the Sunoco brand. (Sunoco in Canada is separate and unrelated to Sunoco in the United States, which is owned by Sunoco, Inc. of Philadelphia.) EM&R also manages energy marketing and trading activities and sales of all Oil Sands and NG production. Financial results relating to the sales of Oil Sands and NG production are reported in those business segments.

>> **Refining and Marketing – U.S.A. (R&M)** operates a 60,000 bpd capacity refinery in the Denver, Colorado area as well as related pipeline assets. R&M markets refined petroleum products under the Phillips 66-brand to customers primarily in Colorado and Wyoming, including retail customers in the Denver metropolitan area.

Suncor strategic priorities are:

Operational:

- >> Developing Suncor's Oil Sands resource base through mining and in-situ technology and supplementing Suncor bitumen production with third party supply.
- >> Expanding Oil Sands extraction and upgrading facilities to increase crude oil production.
- >> Developing new refining and marketing opportunities that further integrate Suncor's production into the marketplace.
- >> Managing environmental and social performance to earn continued stakeholder support for Suncor's ongoing operations and growth plans.
- >> Maintaining a strong focus on worker, contractor and community safety as an overriding operational priority.

Financial:

- >> Controlling costs through a strong operational focus, economies of scale and improved management of engineering, procurement and construction of major projects.
- >> Reducing risk associated with natural gas price volatility by producing volumes that meet or exceed purchases.
- >> Maintaining debt at a target of 2.0 times cash flow from operations based on mid-cycle crude oil prices of US\$22 West Texas Intermediate (WTI).
- >> Targeting opportunities that support a minimum 15% ROCE at US\$22 WTI crude oil prices.

Selected Financial Information

ANNUAL FINANCIAL DATA

Year ended December 31 (\$ millions except per share data)	2003	2002	2001
Revenues	6 306	5 032	4 294
Net earnings	1 084	761	388
Total assets	10 427	8 683	8 094
Long-term debt	2 448	2 686	3 113
Dividends			
Common shares	87	77	75
Preferred Securities	45	48	48
Net earnings attributable to common shareholders per share – basic	2.43	1.64	0.79
Net earnings attributable to common shareholders per share – diluted	2.26	1.61	0.78
Cash dividends per share	0.19	0.17	0.17

OUTSTANDING SHARE DATA

(as at December 31, 2003)

Number of common shares	451,184,087
Number of common share options	21,015,567
Number of common share options – exercisable	8,190,714
Preferred securities	\$476 million

QUARTERLY FINANCIAL DATA

(\$ millions except per share data)	2003				2002			
	Quarter ended				Quarter ended			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Revenues	1 676	1 292	1 700	1 638	1 077	1 289	1 257	1 409
Net earnings	368	121	295	300	90	229	184	258
Net earnings attributable to common shareholders per share								
Basic	0.84	0.29	0.64	0.67	0.18	0.52	0.38	0.56
Diluted	0.77	0.26	0.62	0.61	0.18	0.49	0.37	0.55

Net Earnings⁽²⁾
(per cent)



Cash Flow from Operations⁽²⁾
(per cent)



Capital Employed⁽²⁾
(per cent)



(1) Refining and Marketing – U.S.A. data reflects five months of operations since acquisition on August 1, 2003.

(2) Excludes Corporate and Eliminations segment.

Quarterly net earnings for 2003 and 2002 have fluctuated due to a number of factors:

- >> The impact of winter weather resulted in Oil Sands production tending to be lower in the first quarter of both 2003 and 2002. There were also operational challenges in bringing the expanded Oil Sands facilities to production capacity in the first three quarters of 2002. Further, in the second quarter of 2003 there was a planned 30-day maintenance shutdown on Upgrader #1 that reduced production capacity.
- >> Fluctuations in commodity and refined product prices were influenced by seasonal demand variations. In the downstream this was reflected by higher demands for vehicle fuels and asphalt in summer, and heating fuels in winter. Fluctuations also occurred as a result of global and regional supply and demand.
- >> Commodity prices were unfavourably impacted in 2003 by an increase in the Canadian dollar compared to the U.S. dollar, which reduced the Canadian dollar revenue earned. The stronger Canadian dollar also increased foreign exchange gains on U.S. dollar denominated debt in 2003 compared to 2002.
- >> The 2003 acquisition of R&M increased earnings for the third and fourth quarters of 2003.

- >> Income tax changes in the second quarter of 2003 reduced earnings by \$86 million (\$100 million for the full year).

CONSOLIDATED FINANCIAL ANALYSIS

The following sets out an overview of Suncor's consolidated financial results for 2003 compared to 2002. For a detailed analysis, see the various business segment discussions.

Net Earnings

Suncor's net earnings increased to \$1.08 billion in 2003, compared with \$761 million in 2002. The increase was primarily due to record production from Oil Sands, higher benchmark crude oil and natural gas prices, higher foreign exchange gains and higher downstream margins. Net earnings were also positively impacted by contributions from the new R&M operations and lower interest charges. These impacts were partially offset by an increase in non-cash future income tax expense, a stronger Canadian dollar relative to the U.S. dollar, higher cash and non-cash operating expenses, and the absence in 2003 of an after-tax gain on the sale of Suncor's retail natural gas marketing business in 2002.

NET EARNINGS COMPONENTS

Year ended December 31 (\$ millions)	2003	2002	2001
Net earnings before the following items:	1 047	708	336
Sale of retail natural gas marketing business	—	35	—
Foreign exchange gains on U.S. dollar denominated long-term debt	137	8	—
Impact of income tax rate changes – favourable (unfavourable)	(100)	10	52
Net earnings	1 084	761	388

The above table is intended to enhance a reader's understanding of some of the factors impacting Suncor's net earnings. For comparability purposes, readers should rely on the reported net earnings, which are prepared and presented in the Consolidated Financial Statements in accordance with GAAP.

INDUSTRY INDICATORS

(Average for the year unless otherwise noted)	2003	2002	2001
WTI crude oil US\$/barrel at Cushing	31.05	26.10	25.90
Canadian 0.3% par crude Cdn\$/barrel at Edmonton	43.55	40.75	39.34
Light/heavy crude oil differential US\$/barrel WTI @ Cushing/Bow River @ Hardisty	8.00	5.95	9.50
Natural gas US\$/thousand cubic feet (mcf) at Henry Hub	5.45	3.25	4.40
Natural gas (Alberta spot) Cdn\$/mcf at AECO	6.70	4.05	6.30
New York Harbour 3-2-1 crack US\$/barrel ⁽¹⁾	5.30	3.35	4.45
Refined product demand (Ontario) percentage change over prior year ⁽²⁾	2.3	0.6	(2.6)
Exchange rate: Cdn\$/US\$	0.72	0.64	0.64

(1) New York Harbour 3-2-1 crack is an industry indicator measuring the margin on a barrel of oil for gasoline and distillate. It is calculated by taking two times the New York Harbour gasoline margin plus one times the New York Harbour distillate margin and dividing by three.

(2) Figures for 2002 and 2001 are based on published government data. Figures for 2003 are internal estimates, based on preliminary government data.

Revenues were \$6.3 billion in 2003, compared with \$5.0 billion in 2002. The increase resulted primarily from the following:

- >> Increased crude oil production that drove higher sales volumes. In 2003, Oil Sands sales averaged 218,300 bpd of crude oil, compared with 205,300 bpd in 2002. Sales volumes were negatively impacted by a planned 30-day maintenance shutdown during the year. In 2002, challenges in bringing the expanded Oil Sands facilities to capacity in the first three quarters of the year resulted in lower than capacity production.
- >> Higher benchmark prices for crude oil and natural gas. Oil Sands crude oil price realization was also favourably impacted by a better sales mix of higher value products (light sweet crude oil and diesel fuel) in 2003 (63%) compared with 2002 (62%).
- >> Lower realized crude oil pricing differentials. During 2002 the challenges in bringing the expanded Oil Sands' facilities to capacity resulted in some production being sold in markets with less favourable pricing.
- >> Higher refined product wholesale and retail prices due to higher crude oil prices. In addition, a 3% increase in refined product sales volumes had a positive impact on revenue.
- >> Additional revenues from the August 1, 2003 acquisition of the R&M assets.

Partially offsetting these increases were:

- >> Lower realizations on Suncor's crude oil sales basket and natural gas sales as a result of a stronger Canadian dollar compared to the U.S. dollar. Because crude oil and natural gas are primarily sold based on U.S. dollar benchmark prices, a narrowing of the exchange rate difference reduced the Canadian dollar value of Suncor's products.
- >> The absence in 2003 of \$81 million in revenues from EM&R's retail natural gas marketing business, which was sold in 2002.

Purchases of crude oil and products increased to \$1.6 billion in 2003 compared with \$1.2 billion a year earlier. The increase was primarily due to the following:

- >> An increase in purchases of crude oil from third parties to meet the feedstock requirements of the R&M refinery.
- >> Higher benchmark crude oil prices.

- >> A 3% sales volume increase in EM&R resulting in higher crude oil and other feedstock requirements. In addition, a power outage at the Sarnia refinery required third party purchases of finished product to ensure customer requirements were met.

The above factors were partially offset by the absence in 2003 of purchases for the retail natural gas marketing business that was sold in 2002.

Operating, selling and general expenses increased to \$1.5 billion in 2003 from \$1.3 billion in 2002.

The primary reasons for the increase were:

- >> Expenses that resulted from the acquisition of the R&M operations.
- >> Increased planned maintenance activity due to higher production levels as well as unplanned maintenance activities in Oil Sands and EM&R's Sarnia refinery.
- >> Increased reclamation costs at Oil Sands and NG.
- >> Higher operating expenses, including higher energy costs in all businesses.
- >> Higher compensation costs resulting from increased employee benefit costs (including pensions) and an increase in the number of employees, primarily as a result of the acquisition of the R&M assets and work force.
- >> Other expense increases including higher research and development (R&D) and information technology costs, higher charitable donations and higher insurance costs.

Transportation and other expenses increased to \$133 million in 2003 from \$128 million in 2002. The increase primarily reflects shipments by R&M, partially offset by lower Oil Sands pipeline toll costs. Increases in pipeline tolls due to Oil Sands sales volume increases were more than offset by the first time receipt of initial shipper toll adjustments. The toll adjustments are currently expected to continue until 2007.

Depreciation, depletion and amortization increased to \$611 million in 2003 compared with \$585 million in 2002. The increase was primarily due to higher NG depletion reflecting higher production levels and a higher depletion base. Depreciation associated with the R&M operations also contributed to the increase.

Exploration expenses in 2003 increased to \$51 million from \$26 million in 2002 primarily due to higher dry hole and seismic costs.

Royalty expenses increased to \$139 million from \$98 million in 2002. Higher royalties due to higher benchmark commodity prices and increased volumes, were partially offset by the absence of royalties related to one of Oil Sands' original mining leases. Mining on this lease was completed in 2002. For a discussion about the expected impact of Crown royalties in future years, see Outlook on page 23.

Taxes other than income tax expense increased in 2003 to \$426 million from \$374 million in 2002, primarily due to additional excise taxes related to R&M operations.

The gain on disposal of assets increased to \$17 million from \$2 million in 2002. This primarily reflects the sale by NG of non-producing assets in 2003.

Financing (income) expenses reflected income of \$66 million in 2003 compared with an expense of \$124 million in 2002. The expense decrease was primarily due to the strengthening of the Canadian dollar versus the U.S. dollar, which resulted in a year-over-year foreign exchange gain of \$157 million on U.S. dollar denominated debt. As well, lower levels of debt partially offset by higher variable interest rates and an increase in the level of capitalized interest on capital projects contributed to lower net interest expense.

Income tax expense increased to \$720 million in 2003, compared with \$383 million in 2002. Suncor's effective income tax rate in 2003 was 40% compared to 33% in 2002. The higher effective rate in 2003 was primarily due to changes in both federal and provincial taxation policies that resulted in a combined non-cash tax charge of \$100 million. The federal and provincial governments' changes to resource sector taxation policies, to be phased in over the period 2003 to 2007, include a 7% reduction in the federal tax rate and introduction of the deductibility of Crown royalties. This was offset by the elimination of the federal and provincial resource allowance deduction.

With the above changes enacted in 2003, Suncor currently anticipates its effective tax rate in 2004 will be about 36%.

Corporate Office Expenses

After-tax corporate office expenses decreased to \$4 million in 2003 from \$128 million in 2002. Lower financing costs (discussed above) were partially offset by higher operating, selling and general expenses.

The increases in operating, selling and general expenses were comprised of higher compensation costs, including the costs associated with expensing employee stock options and deferred share units as well as higher R&D, information technology costs, charitable donations and insurance.

The corporate office had a net cash deficiency of \$235 million in 2003, compared with \$225 million in 2002. The higher deficiency primarily stems from information technology projects and R&D spending.

Cash Flow from Operations

Cash flow from operations increased in 2003 to \$2.08 billion from \$1.44 billion in 2002. Excluding the impacts of foreign exchange gains and non-cash future income tax expense, the increase was primarily due to the same factors that improved net earnings, as well as the absence in 2003 of payments made in 2002 under Suncor's long-term employee incentive plans.

Dividends

In the second quarter of 2003, Suncor's Board of Directors approved an increase in the quarterly dividend to \$0.05 per share, from \$0.0425 per share. Total dividends paid during 2003 were \$0.1925 per share, compared with \$0.17 in 2002. The Board periodically reviews the dividend policy, taking into consideration Suncor's capital spending profile, financial position, financing requirements, cash flow and other relevant factors.

LIQUIDITY AND CAPITAL RESOURCES

Suncor's capital resources at December 31, 2003, primarily consisted of cash flow from operations and available lines of credit. Suncor's level of earnings and cash flow from operations depend on many factors, including commodity prices, production levels, downstream margins related to the operations of EM&R and R&M and Cdn\$/US\$ exchange rates.

At December 31, 2003, Suncor's net debt (short and long-term debt less cash and cash equivalents) was approximately \$2.1 billion, a reduction of \$580 million from December 31, 2002 year-end net debt of \$2.7 billion and a reduction of more than \$1 billion from year-end 2001 levels. Approximately \$425 million of the reduction during 2003, and \$890 million for the two-year period, was generated from cash flow, with the balance of both years' reductions attributable to foreign exchange gains.

In 2003, Suncor replaced its available credit and term loan facilities of approximately \$1.8 billion with new facilities of \$1.7 billion. Suncor's undrawn and uncommitted lines of credit at December 31, 2003, were approximately \$1.6 billion. Suncor's current long-term senior debt ratings are A- (Standard & Poor's), A(low) (Dominion Bond Rating Service) and A3 (Moody's Investors Service). All debt ratings have a stable outlook. In 2003, Moody's removed its negative outlook in response to Suncor's debt reduction over the last two years.

In December 2003, Suncor issued US\$500 million of 5.95% Notes under an outstanding US\$1 billion shelf prospectus. Suncor has now utilized the complete capacity that was available under this shelf. The net proceeds of the debt offering, together with borrowings under the company's available credit and term loan facilities, will be used to repay the company's 7.4% Debentures maturing February 2004 (\$125 million) and to redeem the company's 9.05% and 9.125% Preferred Securities in March 2004 (\$276 million and US\$162.5 million, respectively).

In 2000, Suncor entered into a financing arrangement with a third party. Under this arrangement Suncor sold an undivided interest in Oil Sands energy services assets for \$101 million and leased the assets back from the third party. Suncor intends to repurchase the assets in 2004 and refinance the repurchase through revolving term debt facilities. Since this lease was capitalized for accounting purposes, it has been included in Suncor's debt at the end of 2003.

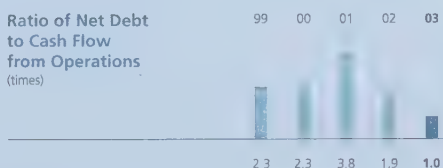
Interest expense on debt continues to be influenced by the composition of the company's debt portfolio,

with Suncor benefiting from short-term floating interest rates continuing at near historic lows. To manage its fixed versus floating rate exposure, Suncor has entered into interest rate swaps with investment grade counterparties, resulting in the swapping of \$600 million of fixed rate debt to variable rate borrowings.

Management of debt levels continues to be a priority given Suncor's growth plans. The company believes a phased approach to future growth projects should improve its ability to manage project costs and debt levels. Suncor's long-term target ratio for net debt to cash flow from operations is a maximum 2.0 times at mid-cycle crude oil pricing (US\$22 WTI per barrel). At the end of 2003 this ratio (based on actual 2003 results) was 1.0 times compared with 1.9 times at year-end 2002. Strong commodity prices and record Oil Sands sales were key factors in this improvement. If the ratio included the company's Preferred Securities it would have been 1.3 times in 2003.

Suncor believes it has the capital resources to fund its 2004 capital spending program of \$1.7 billion and to meet current working capital requirements. Suncor believes a combination of cash flow from operations and its borrowing capacity will support this level of capital spending.

Ratio of Net Debt to Cash Flow from Operations
(times)



AGGREGATE CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET FINANCING

(\$ millions)	Total	Payments Due by Period			
		2004	2005–2006	2007–2008	Later years
Non-cancellable capital spending commitments	85	85	—	—	—
Fixed-term debt and capital leases	2 448	220	6	405	1 817
Operating lease agreements and pipeline capacity and energy services commitments	4 775	187	405	430	3 753
Total	7 308	492	411	835	5 570

The company is subject to financial and operating covenants related to its public market and bank debt. Failure to meet the terms of one or more of these covenants may constitute an Event of Default as described in the respective debt agreements, potentially resulting in accelerated repayment of one or more of the debt obligations.

In addition, a very limited number of the company's commodity purchase agreements, off-balance sheet arrangements and derivative financial instrument agreements, contain provisions linked to debt ratings that may result in settlement of the outstanding transactions should the company's debt ratings fall below investment grade status.

At December 31, 2003, the company was in compliance with all material covenants and its debt ratings were investment grade.

VARIABLE INTEREST ENTITIES AND GUARANTEES

At December 31, 2003, the company had various off-balance sheet arrangements with Variable Interest Entities (VIE) and indemnification agreements with third parties as described below.

The company has a securitization program in place to sell, on a revolving, fully serviced and limited recourse basis, up to \$170 million of accounts receivable having a maturity of 45 days or less, to a third party. The third party is a multiple party securitization vehicle that provides funding for numerous asset pools. At December 31, 2003, \$170 million in outstanding accounts receivable had been sold under the program. Under the recourse provisions, the company will provide indemnification against credit losses to a maximum of \$70 million. A liability has not been recorded for this indemnification as the company believes it has no significant exposure to credit losses. Proceeds received from new securitizations and proceeds from collections reinvested in securitizations on a revolving basis for the year ended December 31, 2003, were nil and approximately \$2.3 billion, respectively. The company recorded an after-tax loss of approximately \$3 million on the securitization program in each of the last three years. There is no penalty to terminate this program. Management currently intends to keep this program in place for the foreseeable future.

In 1999, the company sold 2.13 million barrels of its crude oil inventory for \$49 million to a third party while retaining the right to use the inventory for its operations through a five-year usage agreement. The third party's sole asset is the inventory sold to it by the company. The company pays an annual usage fee of \$7 million to the third party and receives a \$4 million annual storage fee. The company has the right, but is not obligated, to repurchase the inventory at the spot price at the end of the agreement in June 2004. In order to reduce exposure to the spot price should it elect to repurchase the inventory, the company has entered into crude oil and U.S. dollar swap contracts fixing the purchase price of the crude oil on June 25, 2004, at Cdn\$49 million.

In 1999, the company entered into an equipment sale and leaseback arrangement with a third party for proceeds of \$30 million. The third party's sole asset is the equipment sold to it and leased back by the company. The initial lease term covers a period of seven years and is accounted for as an operating lease. The company has provided a residual value guarantee on the equipment of up to \$7 million should it elect not to repurchase the equipment at the end of the lease term. An early termination purchase option allows for the repurchase of the equipment at specified dates in 2003, 2004 and 2005. Had the company elected to terminate the lease at December 31, 2003, the total cost would have been \$30 million. Annualized equipment lease payments in 2003 were \$4 million (in each of 2002 and 2001 – \$2 million).

The company has agreed to indemnify holders of the 9.125% Preferred Securities, the 7.15% Notes, the 5.95% Notes and the company's credit facilities for added costs relating to taxes, assessments or other government charges or conditions, including any required withholding amounts. Similar indemnity terms apply to the receivables securitization program, the crude oil inventory monetization agreement and certain facility and equipment leases.

There is no limit to the maximum amount payable under the indemnification agreements described above. The company is unable to determine the maximum potential amount payable as government regulations and legislation are subject to change without notice. Under these agreements, Suncor has the option to redeem or terminate these contracts if additional costs are incurred.

OUTLOOK

Oil Sands is expected to operate at or near capacity in 2004, with production targeted between 225,000 and 230,000 bpd for the year. Production growth through expansion is not expected until 2005, when the company plans to increase Oil Sands capacity to 260,000 bpd. To achieve this goal, Suncor must achieve full production from the first phase of its Firebag in-situ operations and increase upgrading capacity through the construction of a vacuum unit. Both components of this expansion project are proceeding on schedule and costs are expected to approximate the budget estimate of \$1 billion.

Expansion plans to increase production beyond 260,000 bpd are also being developed through an expansion known as the Voyageur growth strategy. In the first quarter of 2004, Suncor received regulatory approval to proceed with an expansion to Upgrader #2 that is expected to increase production capacity to 330,000 bpd in late 2007. The cost of the project is currently estimated at \$3 billion including approximately \$1.5 billion for the expansion to Upgrader #2 and \$1.5 billion for development of additional Firebag in-situ stages, mining and extraction. As these cost estimates are based on preliminary scope and engineering, actual amounts may differ and the differences may be material. Suncor's Board must approve the expansion plan and budget prior to construction beginning. A decision by the Board is expected in November 2004. (For further details, see page 39).

The final phase of Voyageur, including construction of a third Oil Sands upgrader and proportionate increases in bitumen supply, is intended to increase production capacity to 500,000 to 550,000 bpd in the 2010 to 2012 time frame. Preliminary cost estimates for this phase of production growth have not been made and are dependent on scope and engineering, market analysis, stakeholder consultation and environmental and socioeconomic impact assessments.

Production growth at Oil Sands is also expected to coincide with further investments at Suncor's other businesses. Capital investment in NG may be required to increase natural gas production to meet its goal of exceeding internal purchases. In downstream operations, investments will be necessary to integrate Oil Sands production into refined product markets and to meet environmental legislation.

Suncor anticipates its growth plan to be largely financed from internal cash flow, which is dependent on commodity prices and other factors. Suncor is projecting an annual capital spending program of approximately \$1.7 billion to \$1.9 billion until about 2011 to support its growth strategy and sustain operations. Actual spending is subject to change due to such factors as internal and external approvals and capital availability. Refer to the discussion under Risk/Success Factors Affecting Performance on page 24 for additional factors that can have an impact on Suncor's ability to generate funds to support investing activities.

Oil Sands Crown Royalties and Cash Income Taxes

Crown royalties in effect for oil sands operations require payments to the Government of Alberta, based on gross revenues less related transportation costs (R), less allowable costs (C), including the deduction of capital expenditures (the 25% R-C royalty), subject to a minimum payment of 1% of R. Suncor is currently in discussions with the government on several interrelated aspects of the company's Oil Sands royalty structure. These discussions include finalizing the terms of Suncor's option to transition to the generic bitumen-based royalty regime in 2009, which could include a reduction in allowable costs for royalty purposes. Discussions also include the royalty treatment of Suncor's Firebag in-situ operations. The government currently classifies Firebag as a separate project from Suncor's existing operations while Suncor believes Firebag is an expansion of its existing operations. Classification of Firebag as a separate project would result in a timing difference in royalty payments, whereby higher royalties would be payable in earlier years and lower royalties would be payable thereafter.

Absolute royalties payable for a particular period are impossible to accurately predict as they are highly sensitive to, among other factors, crude oil prices, foreign exchange rates and capital and operating costs. In 2003, Suncor paid royalties of \$33 million, reflecting the minimum payment of 1% of R.

If Firebag is treated as a separate project, at just over US\$26 per barrel WTI, the 25% R-C royalty formula would exceed the 1% of gross revenues minimum and royalties of \$28 million would become payable during 2004, based on the following assumptions: a natural gas price of US\$5.50 per mcf at Henry Hub;

a light/heavy oil differential to U.S. Gulf Coast of US\$8 per barrel; and Cdn\$/US\$ exchange rate of 0.78. Using these same assumptions, for every US\$1 per barrel increase in WTI, Suncor's royalty payments would increase by approximately \$25 million. Further, under these assumptions, the 25% R-C royalty would continue to apply to existing oil sands operations, other than Firebag, in future years. After 2009, the royalty would be based on bitumen value if Suncor exercised its option to transition to the generic royalty regime.

This sensitivity analysis incorporates operating and capital cost assumptions included in the company's current budget and long-range plan, and is not an estimate, forecast or prediction of actual future events or circumstances.

The royalty provisions do not impact Suncor's expectations for income taxes. For example, at US\$33 per barrel WTI, based on prior years' investment levels, future investment plans and the other assumptions stated, Suncor would not expect its Oil Sands operations to be cash taxable until well into the next decade.

Climate Change

Suncor's effort to reduce greenhouse gas emissions is reflected in its pursuit of greater internal energy efficiency, investment in emissions offsets and carbon capture research and development.

Suncor continues to consult with governments about the impact of the Kyoto Protocol and plans to continue to actively manage its greenhouse gas emissions. The company currently estimates that in 2010 the impact of the Kyoto Protocol on Oil Sands cash operating costs would be an increase of about \$0.20 to \$0.27 per barrel. This estimate assumes a reduction obligation of 15% from 2010 business-as-usual energy intensity⁽¹⁾ and that the maximum price for carbon credits would, as the Government of Canada indicated in late 2002, be capped at \$15 per tonne of carbon dioxide equivalent until 2012. Based on these assumptions, Suncor does not currently anticipate that the cost implications of federal and provincial climate change plans will have a material impact on its business or future growth plans.

The ultimate impact of Canada's implementation of the Kyoto Protocol, however, remains subject to numerous risks, uncertainties and unknowns. These include the outcome of discussions between the federal and provincial

governments, the form, impact and effectiveness of implementing legislation, the ultimate allocation of reduction obligations among economic sectors, and other details of Canada's implementation plan, as well as international developments. In addition, the Government of Canada has not yet indicated what, if any, limitations will be placed on the price of carbon credits after 2012. It is not possible to predict how these and other Kyoto related issues will ultimately be resolved.

RISK/SUCCESS FACTORS AFFECTING PERFORMANCE

Suncor's financial and operational performance is potentially affected by a number of factors including, but not limited to, commodity prices and exchange rates, environmental regulations, stakeholder support for growth plans, extreme cold in winter weather, regional labour issues and other issues discussed within Risk/Success Factors for each Suncor business segment. A more detailed discussion of risk factors is presented in the company's most recent AIF/40-F, filed with securities regulatory authorities.

Commodity Prices, Refined Product Margins and Exchange Rates

Suncor's future financial performance remains closely linked to hydrocarbon commodity prices, which can be influenced by many factors including global and regional supply and demand, worldwide political events and the weather. These factors, among others, can result in a high degree of price volatility. For example, from 2001 to 2003 the monthly average price for benchmark WTI crude oil ranged from a low of US\$19.40 per barrel to a high of US\$35.75 per barrel. While the highs and lows were not as pronounced in 2003 (US\$28.10 to US\$35.75 per barrel), these fluctuations create uncertainty from a planning perspective. During the same three-year period, the natural gas Henry Hub benchmark monthly average price ranged from a low of US\$1.90 per thousand cubic feet (mcf) to a high of US\$9.80 per mcf. In addition to supply and demand impacts, a degree of this variation was due to seasonality factors. Suncor currently believes commodity price volatility will continue.

Crude oil and natural gas prices are based on U.S. dollar benchmarks that result in Suncor's realized prices being influenced by the Cdn\$/US\$ currency exchange rate, thereby creating an element of uncertainty for the

(1) Reflects the level of greenhouse gas emissions that would have occurred in the absence of energy efficiency and process improvements after 2000.

company. Should the Canadian dollar strengthen compared to the U.S. dollar, the negative effect on net earnings would be partially offset by foreign exchange gains on the company's U.S. dollar denominated debt and U.S. dollar denominated Preferred Securities. Conversely, should the Canadian dollar weaken compared to the U.S. dollar, the positive effect on net earnings would be partially offset by foreign exchange losses on the company's U.S. dollar denominated debt and U.S. dollar denominated Preferred Securities. Cash flow from operations is not impacted by the effects of foreign currency fluctuations on the the company's U.S. dollar denominated debt and U.S. dollar denominated Preferred Securities.

Changes to the Cdn\$/US\$ exchange rate relationship can create significant volatility in foreign exchange gains

or losses. On the outstanding US\$1 billion in U.S. dollar denominated debt at the end of 2003, a \$0.01 change in the Cdn\$/US\$ exchange rate would change earnings by approximately \$15 million after-tax.

During 2003, the strengthening of the Canadian dollar against the U.S. dollar resulted in a \$137 million after-tax foreign exchange gain on the company's U.S. dollar denominated debt, and a \$37 million after-tax foreign exchange gain on the U.S. dollar denominated Preferred Securities.

Suncor's U.S. capital projects are expected to be partially funded from Canadian operations. A weaker Canadian dollar would result in a higher funding requirement for these projects.

SENSITIVITY ANALYSIS ⁽¹⁾

	2003 Average	Change	Approximate Change in Pretax Cash Flow from Operations	After-tax Earnings
Oil Sands				
Price of crude oil (\$/barrel) ⁽²⁾	\$37.19	US\$1.00	64	42
Sweet/sour differential (\$/barrel)	\$7.92	US\$1.00	27	17
Sales (bpd)	218 300	1 000	12	8
Natural Gas				
Price of natural gas (\$/mcf) ⁽²⁾	\$6.42	0.10	5	3
Production of natural gas (mmcf/d)	187	10	15	8
Energy Marketing and Refining – Canada				
Retail gasoline margins cents per litre (cpl)	6.6	0.1	2	1
Refining/wholesale margin (cpl) ⁽²⁾	6.5	0.1	5	3
Refining and Marketing – U.S.A.				
Retail gasoline margins (cpl)	5.6	0.1	—	—
Refining/wholesale margin (cpl)	5.9	0.1	2	1
Consolidated				
Exchange rate: Cdn\$/US\$	0.72	0.01	44	35

(1) The sensitivity analysis shows the main factors affecting Suncor's annual pretax cash flow from operations and after-tax earnings based on actual 2003 operations. The table illustrates the potential financial impact of these factors applied to Suncor's 2003 results. A change in any one factor could compound or offset other factors.

(2) Includes the impact of hedging activities.

Derivative Financial Instruments

The company periodically enters into commodity-based derivative financial instruments such as forwards, futures, swaps and options to hedge against the potential adverse impact of changing market prices due to variations in the underlying commodity indices. The company also periodically enters into derivative financial instrument contracts such as interest rate swaps as part of its risk management strategy to manage exposure to interest rate fluctuations.

Commencing in the fourth quarter of 2002, the company began to use energy derivatives, including physical and financial swaps, forwards and options to gain market information and to earn trading revenues. Trading activities are accounted for at fair value in the company's consolidated financial statements.

Derivative contracts accounted for as hedges are not recognized in the consolidated balance sheets. Realized and unrealized gains or losses on these contracts, including realized gains and losses on derivative hedging

contracts settled prior to maturity, are recognized in earnings and cash flows when the related sales revenues, costs, interest expense and cash flows are recognized.

Gains or losses resulting from changes in the fair value of derivative contracts that do not qualify for hedge accounting are recognized in earnings and cash flows when those changes occur.

Commodity Hedging Activities Suncor cannot control or accurately predict the prices of crude oil or natural gas. For this reason, the company has a hedging program that fixes a price or range of prices for crude oil and natural gas for specified periods of time for a percentage of Suncor's total production. As at December 31, 2003, the company did not have any outstanding foreign currency hedges.

Suncor's risk management objective with its hedging program is to reduce exposure to market volatility and support the company's ability to finance growth. The Audit Committee and the Board of Directors meet with management regularly to assess Suncor's hedging thresholds in light of its price forecast and cash requirements. To add more certainty to Suncor's

ability to finance future capital programs and manage debt, the Board authorized the hedging of 35% of the company's crude oil volumes in 2004 and up to 30% for the period 2005 to 2007.

The company's derivative hedging instruments do not require the payment of premiums or cash margin deposits prior to settlement. On settlement, these contracts result in cash receipts to the company, or payments by the company, for the difference between the derivative contract and market rates for the applicable volumes hedged during the contract term. Such cash receipts or payments offset corresponding decreases or increases in the company's sales revenues or crude oil purchase costs. For accounting purposes, amounts received or paid on settlement are recorded as part of the related hedged sales or purchase transactions in the consolidated statements of earnings. In 2003, crude oil hedging decreased Suncor's net earnings by \$155 million. In 2002, hedging decreased net earnings by \$160 million.

Crude oil hedge contracts outstanding at December 31, 2003, were as follows:

	Quantity (bpd)	Average Price ^(a)	Revenue Hedged (\$ millions)	Hedge Period
As at December 31, 2003				
Crude oil swaps	68 000	24	772 ^(b)	2004
Costless collars	11 000	21 – 24	109 – 125 ^(b)	2004
Crude oil swaps	36 000	23	390 ^(b)	2005

(a) Average price of crude oil swaps is US\$WTI per barrel at Cushing, Oklahoma.

(b) The revenue hedged is translated to Cdn\$ at the year-end exchange rate for convenience purposes.

Financial Hedging Activities Suncor periodically enters into interest rate and cross-currency interest rate swap contracts as part of its strategy to manage exposure to interest rates. The interest rate swap contracts involve an exchange of floating rate and fixed rate interest payments between the company and investment grade counterparties. The cross-currency swap contracts can also involve an exchange of Canadian dollar interest payments and U.S. dollar interest payments, and an exchange of Canadian and U.S. dollar principal amounts

at the maturity date of the underlying borrowing to which the swaps relate. The differentials on the exchange of periodic interest payments are recognized as an adjustment to interest expense.

The company has entered into various interest rate swap transactions at December 31, 2003. The swap transactions result in an average effective interest rate that is different from the stated interest rate of the related underlying long-term debt instruments.

Description of swap transaction	Principal Swapped (\$ millions)	Swap Maturity	2003 Effective Interest Rate
Swap of 6.10% Medium Term Notes to floating rates	150	2007	4.3%
Swap of 6.80% Medium Term Notes to floating rates	250	2007	4.9%
Swap of 6.70% Medium Term Notes to floating rates	200	2011	4.2%

In 2003, these interest rate swap transactions reduced 2003 pretax interest expense by \$12 million.

Fair Value of Derivative Hedging Instruments

The fair value of derivative hedging instruments is the estimated amount, based on third party market data, that the company would receive (pay) to terminate the contracts. Such amounts, which also represent the unrecognized and unrecorded gain (loss) on the contracts, were as follows at December 31:

(\$ millions)	2003	2002
Revenue hedge swaps and collars	(285)	(133)
Margin hedge swaps	2	1
Interest rate and cross-currency interest rate swaps	32	35
	(251)	(97)

Energy Trading Activities In November 2002, Suncor commenced energy trading activities, focused on the commodities the company produces. These energy-trading activities are accounted for using the mark-to-market method and, as such, physical and financial energy contracts are recorded at fair value at each balance sheet date. For the year ended December 31, 2003, a net pretax loss of \$3 million (2002 – \$nil) from the settlement and revaluation of these contracts was reported as energy trading and marketing activities in the consolidated statements of earnings.

The fair value of unsettled energy trading assets and liabilities at December 31 are as follows:

(\$ millions)	2003	2002
Energy trading assets	5	2
Energy trading liabilities	5	2

The valuation of the above contracts was based on actively quoted prices.

Counterparty Credit Risk The company may be exposed to certain losses in the event that counterparties to derivative financial instruments are unable to meet the terms of the contracts. The company's exposure is limited to those counterparties holding derivative contracts with net positive fair values at the reporting date. The company minimizes this risk by only entering

into agreements with investment grade counterparties, and through regular management review of potential exposure to, and credit ratings of, such counterparties. At December 31, the company had exposure to credit risk with counterparties as follows:

(\$ millions)	2003	2002
Derivative contracts not accounted for as hedges	30	28
Unrecognized derivative contracts	27	23
	57	51

Environmental Regulations

Environmental laws affect nearly all aspects of Suncor's operations, imposing certain standards and controls on activities relating to oil and gas mining and conventional exploration, development and production. Environmental laws also affect refining, distribution and marketing of petroleum products and petrochemicals and require companies engaged in those activities to obtain necessary permits to operate. Environmental assessments and approvals are required before initiating most new projects or undertaking significant changes to existing operations.

In addition to these specifically known requirements, Suncor expects that changes to environmental laws could impose further requirements on companies operating in the energy industry. Some of the issues include the possible cumulative impacts of oil sands development in the Athabasca region; the need to reduce or stabilize various emissions; issues relating to global climate change, including the uncertainties and risks associated with Canada's implementation of the Kyoto Protocol, and uncertainties associated with predicting emission intensity levels from Suncor's future production; and other potential impacts of government regulation in areas such as land reclamation and restoration, water quality and usage, and reformulated fuels to support lower vehicle emissions. Changes in environmental laws could have an adverse effect on Suncor in terms of product demand, product formulation and quality, methods of production, and distribution and operating costs. The complexity of these issues makes it difficult to predict their future impact on the company.

Management anticipates capital expenditures and operating expenses could increase in the future as a result of the implementation of new and increasingly stringent environmental regulations.

Regulatory Approvals

Before proceeding with most major projects, Suncor must obtain regulatory approvals. The regulatory approval process can involve stakeholder consultation, environmental impact assessments and public hearings, among other factors. Failure to obtain regulatory approvals, or failure to obtain them on a timely basis, could result in delays, abandonment, or restructuring of projects and increased costs, all of which could negatively impact future earnings and cash flow.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Suncor's critical accounting policies are defined as those that are both important to the portrayal of the company's financial position and operations and those that require management to make judgments based on underlying estimates and assumptions about future events and their effects. Underlying estimates and assumptions are based on historical experience and other factors that management believes to be reasonable under the circumstances. These estimates and assumptions are subject to change as new events occur, as more industry experience is acquired, as additional information is obtained and as Suncor's operating environment changes. The company believes the following are the most critical accounting policies and estimates used in the preparation of its consolidated financial statements.

Property, Plant and Equipment

Suncor accounts for its Oil Sands in-situ and NG exploration and production activities using the "successful efforts" method. This policy was selected over the alternative full-cost method because Suncor believes it provides a more timely accounting of the success or failure of exploration and production activities. The application of the successful efforts method of accounting requires Suncor's management to determine the proper classification of activities designated as developmental or exploratory, which ultimately determines the appropriate accounting treatment of the costs incurred. The results from a drilling program can take considerable time to analyze and the determination that commercial reserves have been discovered requires both judgment and industry experience. Where it is determined that exploratory drilling will not result in commercial production, the exploratory "dry hole"

costs are written off and reported as part of Oil Sands and NG exploration expenses in the consolidated statements of earnings. Dry hole expense can fluctuate from year to year due to such factors as the level of exploratory spending, the level of risk sharing with third parties participating in the exploratory drilling and the degree of risk in drilling in particular areas.

Properties that are assumed to be productive may, over a period of time, actually deliver oil and gas in quantities different than originally estimated because of changes in reservoir performance and/or adjustments in reserves. Such changes can require a test for the potential impairment of capitalized properties, based on estimates of future cash flow from the properties. Estimates of future cash flows are subject to significant management judgment concerning oil and gas prices, production quantities and operating costs.

Where management assesses that a property is fully or partially impaired, the book value of the property is reduced to fair value and either completely removed from the company's records ("written off") or partially removed from the company's records ("written down") and reported as part of Oil Sands and NG depreciation, depletion and amortization (DD&A) expenses in the consolidated statements of earnings.

The company's plant and equipment are depreciated on a straight-line basis over the estimated useful life of the assets. Firebag and NG property costs are depleted on a unit of production (UOP) basis. In each case the expense is shown on the DD&A line in both the consolidated statements of earnings and in the schedules of segmented earnings. The straight-line basis reflects asset usage as a function of time rather than production levels. For example, the useful life of plant and equipment at Oil Sands and Firebag operations are not based on recorded reserves as the company has access to other undeveloped properties, and bitumen feedstock from third parties, as well as the ability to provide processing services for other producers' bitumen. UOP amortization is used where that method better matches the asset utilization with production that the asset is associated with.

The company determines useful life based on prior experience with similar assets and, as necessary, in consultation with others who have expertise with the assets in question. However, the actual useful life of the assets may differ from management's original estimate due to factors such as technological obsolescence, regulatory requirements and maintenance activity. As the majority of assets are depreciated on a straight-line

basis, a 10% reduction in the useful life of plant and equipment would increase annual DD&A by approximately 10%. This impact would be reflected in all business segments with the majority of the impact being in Oil Sands.

Negative revisions in NG reserve estimates will result in an increase in depletion expenses.

Overburden

As part of the process of mining oil sands, it is necessary to remove surface material such as muskeg, glacial deposits and sand. Overburden removal may precede mining of the oil sands deposit by as much as two years. Accordingly, the quantity of overburden removed in a given period may not bear any relationship to the quantity of oil sands mined in the period, and as such the cash outlays can be different than the amount amortized. In 2003, the overburden amortization charge was \$208 million compared with actual cash overburden spending of \$175 million. Oil Sands overburden amortization is reported as part of DD&A in the consolidated statements of earnings. Deferred overburden costs are reported as part of "deferred charges and other assets" in the consolidated balance sheets.

In order to ensure a proper matching of costs with revenues (such that each tonne of oil sands mined is allocated a proportionate share of overburden removal costs), the company has adopted the deferral method of accounting for overburden removal costs whereby all such costs are initially set up as a deferred charge.

To allocate the deferred overburden charges, a life-of-mine approach has been adopted for each mine pit, relating the removal of all overburden to the mining of all of the oil sands ore on leases where there is regulatory approval. By adopting this approach, an overburden stripping ratio is calculated that allows for the matching of revenues and expenses such that overburden removal costs are averaged over the life of the mine. Over time, through a combination of increased mine areas, additional drilling activity and operational experience, the company has seen its stripping ratios vary, which can increase or decrease the overburden amortization costs charged to the earnings statement. In 2003 the stripping ratio decreased by about 2% due to new operational information and mine plan changes. This favourable impact of about \$4 million partially offset the increase due to higher production levels and higher operating costs.

Reclamation and Environmental Remediation Costs

Suncor's reclamation and environmental remediation costs represent the costs of reclaiming the environment or restoring a site to a useful and acceptable condition, as determined by statutory or regulatory authorities, by contractual agreement, or by Suncor management. The scope of the activities and the nature of the costs are normally outlined in the current reclamation or environmental remediation plan. These include costs specifically related to the reclamation or environmental remediation project and any other costs that can be clearly identified with the project.

For 2003 and prior years, estimated reclamation costs at Oil Sands and NG were accrued on the unit of production basis based on proved and probable reserves. Estimated environmental remediation costs in EM&R and R&M were accrued in the period for sites where assessments indicated that such work was required. No accrual was made for assets with indeterminate lives, including Oil Sands upgrading and processing assets and downstream refining and marketing assets. Reclamation and environmental remediation costs were charged against earnings and reported as operating, selling and general expenses in the consolidated statements of earnings and the schedules of segmented data. These costs primarily affect the Oil Sands and NG segments. The accrued liability was included in the "accrued liabilities and other" line in the consolidated balance sheets.

In connection with company and external party reviews of Oil Sands and NG completed in the fourth quarter of 2003, Suncor increased its reclamation cost estimate to approximately \$950 million, from the previous estimate of \$650 million. Approximately \$230 million of the increase was due to a change in the Oil Sands estimate to \$840 million. The increase in estimated reclamation costs reflects changes in the scope, cost and timing of reclamation recovery activities, including consolidated tailings technology at Oil Sands and gas plant and facilities reclamation at NG. The majority of the costs in Oil Sands are projected to occur over a time horizon extending up to approximately 2060. In the fourth quarter of 2003, prospective changes in the reclamation cost estimate resulted in additional after-tax expense of approximately \$2 million.

The greatest area of judgment and uncertainty with respect to the company's reclamation cost estimates relates to its Oil Sands mining leases where there is a requirement to provide for land productivity equivalent to predisturbed conditions. To reclaim tailings ponds, Suncor is using a process referred to as consolidated tailings technology. At this time, no ponds have been fully reclaimed using this technology, although work is under way. The success and time to reclaim the tailings ponds could increase or decrease the current reclamation cost estimates. The company continues to monitor and assess other possible technologies and/or modifications to the consolidated tailings process now being used.

Refer to Recently Issued Canadian Accounting Standards on page 34 for a discussion of the financial accounting impacts of Suncor's adoption of its new accounting policy for Asset Retirement Obligations, effective January 1, 2004.

Reserve Estimates

On an annual basis Suncor engages Gilbert Laustsen Jung Associates Ltd. (GLJ), independent petroleum consultants, to evaluate its oil and gas reserves. Subsequent to 2003, Suncor received GLJ's evaluation reports of its Oil Sands mining reserves, Firebag in-situ reserves and its conventional NG reserves.

The accuracy of any reserve estimate is a function of the quality and quantity of available data, interpretation and judgment. As commodity prices fluctuate, the quantity of reserves recorded can vary, as the economic recoverability of oil and gas reserves is impacted by price fluctuations.

In reporting its reserves data, Suncor is relying on exemptive relief from Canadian Securities regulators contained in the Mutual Reliance Review System decision document dated December 22, 2003.

Oil Sands Mining Reserves

Proved and probable reserves estimates on Oil Sands mining leases are based on a detailed geological assessment, including drilling density. Estimates also consider production capacity and upgrading yields, mine plans, operating life and regulatory constraints. GLJ's 2003 Oil Sands' mining reserve evaluation report, dated February 20, 2004, included a reclassification of probable reserves to proved reserves reflecting the 2003 drilling program and the use of revised criteria for classifying portions of the ore body.

Suncor reports its Oil Sands mining reserves on a gross basis (that is prior to deductions of royalties). A reconciliation of gross Oil Sands mining reserves for each of the three years ended December 31, 2003, is as follows:

GROSS OIL SANDS MINING RESERVES ⁽¹⁾

Millions of synthetic crude oil barrels	Proved	Probable	Proved + Probable
December 31, 2000	422	2 034	2 456
Revisions of previous estimates	(1)	(5)	(6)
Extensions and discoveries	—	—	—
Production	(45)	—	(45)
Sales of minerals in place	—	—	—
December 31, 2001	376	2 029	2 405
Revisions of previous estimates	54	(511)	(457)
Extensions and discoveries	3	45	48
Production	(75)	—	(75)
Sales of minerals in place	—	—	—
December 31, 2002	358	1 563	1 921
Revisions of previous estimates	599	(611)	(12)
Extensions and discoveries	—	—	—
Production	(79)	—	(79)
Sales of minerals in place	—	—	—
December 31, 2003	878	952	1 830

(1) Gross reserves means Suncor's undivided percentage interest in reserves before deducting Crown royalties, freehold and overriding royalty interests.

Firebag In-situ Reserves

GLJ's Firebag in-situ Oil Sands reserves evaluation report dated February 20, 2004, of Suncor's Firebag in-situ reserves included an approximate 15% increase of proved and probable reserves. All of the reserves at the end of 2003 were categorized as non-producing and reflect a reclassification of a portion of probable reserves to proved status, now that the first stage of operations

is capable of producing bitumen. Subsequent to 2003, Suncor began to produce small amounts of bitumen from Firebag.

Suncor reports its Firebag in-situ reserves net of projected royalties. A reconciliation of net Firebag in-situ reserves for each of the three years ended December 31, 2003 is as follows:

NET FIREBAG IN-SITU RESERVES ⁽¹⁾

Millions of barrels	Proved	Probable ⁽²⁾	Proved + Probable
December 31, 2000	—	—	—
Revisions of previous estimates	—	—	—
Extensions and discoveries	—	—	—
Production	—	—	—
Sales of minerals in place	—	—	—
December 31, 2001	—	—	—
Revisions of previous estimates	—	—	—
Extensions and discoveries	124	1 410	1 534
Production	—	—	—
Sales of minerals in place	—	—	—
December 31, 2002	124	1 410	1 534
Revisions of previous estimates	224	72	296
Extensions and discoveries	—	—	—
Production	—	—	—
Sales of minerals in place	—	—	—
December 31, 2003	348	1 482	1 830

(1) Net reserves means Suncor's undivided percentage interest in total reserves after deducting Crown royalties, freehold and overriding royalty interests. The calculation of these third party interests is uncertain and based on assumptions about future oil prices, production levels, operating costs and capital expenditures. For a more detailed description of these royalties, see page 23, Oil Sands Crown Royalties and Cash Income Taxes.

(2) Although Suncor is subject to Canadian disclosure rules in connection with the reporting of its reserves, Suncor has received exemptive relief from Canadian securities administrators permitting it to report its proved reserves in accordance with U.S. disclosure practices. In addition, although U.S. companies do not disclose probable reserves for non-mining properties, Suncor voluntarily discloses its probable reserves for its Firebag in-situ leases as it believes this information is useful to investors. As a result, Suncor's Firebag in-situ reserve estimates may not be directly comparable to those made by U.S. companies. See Reliance on Exemptive Relief in Suncor's Annual Information Form/Form 40-F dated February 26, 2004 and incorporated by reference herein.

NG Reserves

GLJ's NG reserve evaluation report dated February 20, 2004, (comprised of both natural gas as well as crude oil and natural gas liquids) resulted in a net natural gas reserve decrease (excluding reductions due to current year production) of 3% for 2003. This reduction includes a decrease of approximately 11% due to technical revisions

reflecting lower than expected performance, and additions of approximately 8% due to extensions and discoveries.

Suncor reports its NG proved reserves net of projected royalties and interests of third parties in accordance with U.S. disclosure practices. A reconciliation of Suncor's net NG reserves for each of the three years ended December 31, 2003 is as follows:

NET NATURAL GAS PROVED RESERVES ⁽¹⁾

	Crude Oil and Natural Gas Liquids (millions of barrels)	Natural Gas (billions of cubic feet)
December 31, 2000	11	567
Revisions of previous estimates	—	4
Extensions and discoveries	—	20
Production	(1)	(45)
Sales of minerals in place	—	(1)
December 31, 2001	10	545
Revisions of previous estimates	—	(18)
Extensions and discoveries	1	39
Production	(1)	(48)
Sales of minerals in place	—	(2)
December 31, 2002	10	516
Revisions of previous estimates	(2)	(50)
Extensions and discoveries	1	40
Production	(1)	(50)
Sales of minerals in place	—	—
December 31, 2003	8	456

(1) Net reserves means Suncor's undivided percentage interest in total reserves after deducting interests of third parties, including Crown royalties, freehold and overriding royalty interests. The calculation of these third party interests is uncertain and based on assumptions about future natural gas prices, production levels, operating costs and capital expenditures.

Employee Future Benefits

The company provides a range of benefits to its employees and retired employees, including pensions and other post-retirement health care and life insurance benefits. The determination of obligations under the company's benefit plans and related expenses requires the use of actuarial valuation methods and assumptions. Assumptions typically used in determining these amounts include, as applicable, rates of employee turnover, future claim costs, discount rates, future salary and benefit levels, return on plan assets, mortality rates and future medical costs. The fair value of plan assets is determined using market values. Actuarial valuations are subject to management judgment. Management continually

reviews the assumptions in light of actual experience and expectations for the future. Changes in assumptions are accounted for on a prospective basis. Employee future benefit costs are reported as part of operating, selling and general expenses in the company's consolidated statements of earnings and schedules of segmented earnings. The accrued benefit liability is reported as part of "accrued liabilities and other" in the consolidated balance sheets.

The assumed rate of return on plan assets considers the current level of expected returns on the fixed income portion of the plan assets portfolio, the historical level of risk premium associated with other asset classes in

the portfolio and the expected future returns on each asset class. The discount rate assumption is based on the year-end interest rate on high quality bonds with maturity terms equivalent to the benefit obligations. The rate of compensation increases is based on management's judgment. The accrued benefit obligation and net

periodic benefit cost for both pensions and other post-retirement benefits may differ significantly if different assumptions are used, as noted below.

A 1% change in the assumptions at which pension benefits and other post-retirement benefit liabilities could be effectively settled is as noted below.

(\$ millions)	Rate of Return on Plan Assets		Discount Rate		Rate of Compensation Increase	
	1% Increase	1% Decrease	1% Increase	1% Decrease	1% Increase	1% Decrease
Increase (decrease) to net periodic benefit cost	(3)	3	(8)	10	4	(3)
Increase (decrease) to benefit obligation	—	—	(83)	95	24	(22)

Health care costs comprise a significant element of Suncor's post-employment benefit obligation and an area where there is increasing cost pressure due to an aging North American society. Suncor has assumed a 12% annual rate of increase in the per capita cost of covered health care benefits for 2003, with an assumption that this rate will decrease by 0.5% annually, to 5% by 2017, and remain at that level thereafter.

A 1% change in the assumed health care cost trend rate would have the following effects:

(\$ millions)	1% Increase	1% Decrease
Increase (decrease) to total of service and interest cost components of net periodic post-retirement health care benefit cost	1	(1)
Increase (decrease) to the health care component of the accumulated post-retirement benefit obligation	12	(10)

Control Environment

Based on their evaluation as of December 31, 2003, Suncor's Chief Executive Officer and Chief Financial Officer concluded that Suncor's disclosure controls and procedures (as defined in Rules 13(a)-15(e) and 15(d)-15(e) under the United States Securities Exchange Act of 1934 (the Exchange Act)) are effective to ensure that information required to be disclosed by Suncor in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the United States Securities

and Exchange Commission (SEC) rules and forms. In addition, other than as described below, as of December 31, 2003, there were no changes in Suncor's internal controls over financial reporting that occurred during 2003 that have materially affected, or are reasonably likely to materially affect its internal controls over financial reporting. Suncor will continue to periodically evaluate its disclosure controls and procedures and internal controls over financial reporting and will make any modifications from time to time as deemed necessary.

The company is in the process of implementing two major programs. Both include the review and design of processes, systems and controls. Suncor is implementing an Enterprise Resource Planning (ERP) system in all of its businesses to support the company's growth plan. The phased implementation is currently planned to be complete by 2006. Implementing an ERP system on a widespread basis involves significant changes in business processes and extensive organizational training. The company currently believes a phased-in approach reduces the risks associated with making these changes. Suncor believes it is taking the necessary steps to monitor and maintain appropriate internal controls during this transition period. These steps include deploying resources to mitigate internal control risks and performing additional verifications and testing to ensure data integrity.

The company is also undertaking a comprehensive review of its existing internal controls over financial reporting, with a view to the upcoming effectiveness

certification and attestation requirements of Section 404 of the United States Sarbanes-Oxley Act of 2002. As a result of these initiatives, the company expects there will be a significant redesign of its business processes during 2004 and 2005, some of which relate to internal controls over financial reporting and disclosure controls and procedures.

The company has identified the need to implement an effective and functioning control environment to support financial reporting and disclosure processes in the R&M business unit. At December 31, 2003, certain of the compensating controls and processes that were initially put in place at the time of the acquisition have been enhanced. Further development of, and enhancements to, control processes and computerized systems are expected to be completed during 2004.

Change In Accounting Policies

During 2003, the company adopted a new accounting policy for stock-based compensation related to common share options. Pursuant to new transitional rules approved by the Canadian Institute of Chartered Accountants (CICA) in 2003, the company now records stock-based compensation expense in the company's consolidated statements of earnings for all common share options granted to employees and non-employee directors on or after January 1, 2003 ("2003 options"), with a corresponding increase recorded as contributed surplus in the consolidated statements of changes in shareholders' equity.

This change in accounting policy increased operating, selling and general expenses and contributed surplus by \$7 million for the year ended December 31, 2003.

The CICA transitional rules allowed for either retroactive application, with or without restatement, or the prospective application chosen by the company. If compensation expense had been recorded for pre-2003 options on a retroactive basis, the company would have reported additional compensation costs under the fair value method of \$30 million in 2003, \$32 million in 2002 and \$9 million in 2001.

RECENTLY ISSUED CANADIAN ACCOUNTING STANDARDS

Hedging Relationships

Canadian Accounting Guideline 13 (AcG 13) "Hedging Relationships" is applicable to the company's hedging relationships in 2004 and subsequent fiscal years.

AcG 13 specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, as well as the discontinuance of hedge accounting. The Guideline does not specify hedge accounting methods. The company believes its hedging documentation and effectiveness testing are prepared in accordance with the provisions of AcG 13.

Asset Retirement Obligations

Effective January 1, 2004, the company will adopt, as required, the new Canadian standard "Asset Retirement Obligations" (ARO), which substantially harmonizes Canadian GAAP with U.S. GAAP in this area. This standard requires recognition of a liability for the future retirement obligations associated with the company's property, plant and equipment. The fair value of the asset retirement obligations is to be recorded on a discounted basis (6.5% in 2004). This amount is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the company settles the obligation.

On an annual basis at Oil Sands and NG, the most probable costs of reclamation are estimated in as-spent dollars based on current information, the estimated timing of remedial actions, existing regulatory requirements and technology.

The impact of adopting this standard will be an increase to property, plant and equipment of \$211 million, an increase to future tax assets of \$110 million, an increase to accrued liabilities of \$318 million, an increase to future tax liabilities of \$73 million, and a decrease to retained earnings of \$70 million. The company is required by the standard to restate retroactively the financial statements of prior years.

The adoption of this standard in 2004 is not expected to have a significant effect on after-tax expenses in 2004 compared with 2003. These costs for 2004 will be classified as both DD&A and operating, selling and general expenses. This change in classification will impact Oil Sands cash operating costs per barrel as a portion of these costs will now be allocated to non-cash DD&A.

Variable Interest Entities

In 2003, Canadian Accounting Guideline 15 (AcG 15) "Consolidation of Variable Interest Entities (VIEs)" was issued. Effective January 1, 2005, AcG 15 requires consolidation of a VIE where the company will absorb a majority of a VIE's losses, receive the majority of its returns, or both. Restatement of prior years, although encouraged, is not required. The company plans to prospectively apply AcG15 from adoption on January 1, 2005. The company will be required to consolidate the VIE related to the sale and leaseback of equipment described earlier on page 22. The company does not expect a significant impact on net earnings on consolidation of the equipment VIE. The impact on the balance sheet will be an increase to property, plant and equipment and an increase to long-term liabilities of approximately \$20 million. The VIE involving the sale of crude oil inventory terminates June 25, 2004, prior to the effective date of AcG 15. The accounts receivable securitization program, as currently structured, does not meet the AcG 15 criteria for consolidation by Suncor.

Liabilities and Equity

In 2003, the Canadian Accounting Standards Board approved an amendment to Handbook Section 3860 "Financial Instruments – Disclosure and Presentation" requiring certain obligations that must or could be settled with an entity's own equity instruments to be presented as liabilities. The new standard will require financial instruments such as the company's 9.05% and 9.125% Preferred Securities to be classified as long-term debt rather than as equity. On January 15, 2004, the company gave formal notice to the holders of its Preferred Securities that it will redeem the securities on March 15, 2004. Notwithstanding that the Preferred Securities will have been redeemed by the time the new accounting standards become effective in 2005, Suncor will be required to restate its comparative financial statements for 2003 and 2004 to reflect the Preferred Securities as long-term debt rather than as equity. Based on year-end 2003 data, the reclassification is expected to reduce equity by \$485 million, increase long-term debt by \$486 million and increase deferred charges by \$1 million. Preferred security dividends in 2003 of \$45 million pretax (\$27 million after-tax), reported as a reduction of retained earnings, will be reported as financing expense. Net earnings attributable to common shareholders in 2004 and 2003 are not expected to be materially affected.

>> Oil Sands

Located near Fort McMurray, Alberta, Suncor's Oil Sands business forms the foundation of Suncor's growth strategy and represents the most significant portion of the company's assets. The business recovers bitumen through mining and in-situ development and upgrades it into refinery feedstock, diesel fuel and byproducts.

Oil Sands strategy focuses on:

- >> Acquiring long-life mineral leases with substantial bitumen resources in place.
- >> Sourcing low-cost bitumen supply through mining, in-situ development and third party supply agreements, and upgrading this bitumen supply into high value crude oil products that meet market demand.
- >> Increasing production capacity and improving reliability through staged expansion of oil sands upgrading facilities.
- >> Reducing costs through the application of technologies, economies of scale, direct management of growth projects, strategic alliances with key suppliers and continuous improvement of operations.

Highlights

SUMMARY OF RESULTS

Year ended December 31

(\$ millions unless otherwise noted)	2003	2002	2001
Revenue	3 061	2 616	1 372
Production (thousands of bpd)	216.6	205.8	123.2
Average sales price (\$/barrel)	37.19	33.65	29.17
Net earnings	888	790	283
Cash flow from operations	1 803	1 475	486
Total assets	7 762	6 896	6 409
Cash used in investing activities	1 055	630	1 476
Net cash surplus	799	729	(1 025)
ROCE (%) ⁽¹⁾	20.6	16.8	20.1
ROCE (%) ⁽²⁾	17.3	15.6	6.4

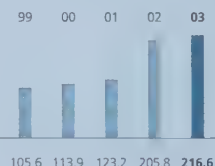
(1) Excludes capitalized costs related to major projects in progress. ROCE for Suncor's operating segments is calculated in a manner consistent with consolidated ROCE as reconciled in Non-GAAP Financial Measures. See page 50.

(2) Includes capitalized costs related to major projects in progress.

SIGNIFICANT DEVELOPMENTS IN 2003

- >> Crude oil production increased by 5% to an average 216,600 bpd in 2003 compared with 205,800 bpd in 2002.
- >> Cash operating costs averaged \$11.50 per barrel in 2003 compared with \$11.10 per barrel in 2002. Higher natural gas prices more than offset the impact of efficiency initiatives and higher production levels.
- >> Construction of stage one of Suncor's Firebag in-situ operation was completed on schedule. Steam injection began in the fourth quarter of 2003 and the first bitumen production was delivered to the upgrader for processing early in 2004. Full production capacity of 35,000 bpd of bitumen is expected in 2005.
- >> A maintenance shutdown was successfully completed on Upgrader #1. During the shutdown, a new fractionator was tied in to the upgrader. Both of these projects are expected to improve production reliability in the upgrader.
- >> A 10-year processing and sales agreement was signed with Petro-Canada, whereby Suncor will process approximately 27,000 bpd of bitumen for Petro-Canada into approximately 22,000 bpd of sour crude and sell an additional 26,000 bpd of Suncor sour crude. This agreement is slated to commence in 2008 (see page 40).
- >> Oil Sands announced plans for extension of the Steepbank mine, which would replace ore production that is expected to be depleted prior to the end of the decade.
- >> In the first quarter of 2004, Suncor negotiated a new three-year contract with its largest union representing approximately 1,500 employees at the Oil Sands operation.

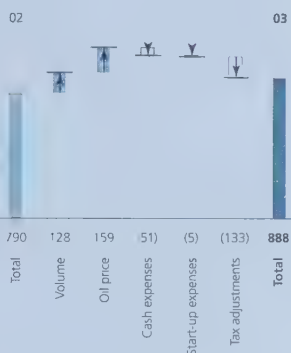
Production
(thousands of bpd)



ANALYSIS OF NET EARNINGS

Net earnings in 2003 increased to \$888 million from \$790 million in 2002. The increase was largely driven by higher benchmark commodity prices and record sales levels. These positive factors were partially offset by a year-over-year tax rate change of \$133 million, higher cash expenses, increased project start-up expenses and the impact of a stronger Canadian dollar.

Bridge Analysis of Net Earnings
(\$ millions)



Oil Sands average production increased to 216,600 bpd in 2003, compared with 205,800 bpd in 2002. As expected, production was slightly lower than the 225,000 bpd capacity primarily due to a scheduled 30-day maintenance shutdown of Upgrader #1 in the second quarter. Sales levels for the year averaged 218,300 bpd compared with 205,300 bpd in 2002. Higher sales volumes increased earnings by \$128 million.

Sales prices averaged \$37.19 per barrel in 2003 (including the impact of pretax hedging losses of \$239 million) compared with \$33.65 per barrel in 2002 (including the impact of pretax hedging losses of \$243 million). The average price realization was impacted by the following positive factors:

- >> A strengthening of WTI benchmark crude oil prices.
- >> An improved mix of the more valuable sweet crude oil and diesel fuel, which increased to 63% of total Oil Sands sales from 62% in 2002.
- >> Lower realized crude oil pricing differentials. During 2002, the challenges in bringing Oil Sands expanded facilities to capacity resulted in some production streams being sold in markets with less favourable pricing.

These positive factors were partially offset by a strengthening of the Canadian dollar against the U.S. dollar particularly in the second half of the year. Because crude oil is sold primarily based on U.S. dollar benchmark prices, the narrowing exchange rate decreased the Canadian dollar value of crude oil products.

The net impact of the above pricing factors increased earnings by \$159 million in 2003.

Royalties

Pretax royalty expense in 2003 was \$33 million, the same level as 2002. In both 2003 and 2002, Oil Sands was subject to the minimum 1% rate. For a discussion about Alberta Crown royalties, including the expected impact of Crown royalties in future years, see Outlook on page 23.

Cash Expenses

Cash expenses increased to \$1.05 billion from \$954 million in 2002. Expenses were higher year over year due to the following factors:

- >> Natural gas costs increased to \$169 million in 2003, compared with \$119 million in 2002. This was the result of higher natural gas prices, partially offset by a decreased reliance on purchased natural gas. Natural gas purchases decreased due to the use of more internally generated fuel.
- >> Higher energy costs and higher maintenance costs in the mine and extraction plants as a result of increased production volumes.
- >> Unplanned maintenance during 2003.

These higher expenses were partially offset by improved productivity from the truck and shovel fleet.

Transportation costs were unchanged. As an initial shipper on a major pipeline, Suncor's tolls are subject to annual adjustments. In 2003, a first-time toll adjustment offset toll increases experienced in 2003. The toll adjustments are currently expected to continue until 2007.

Combined, the above factors resulted in a net increase in cash expenses that reduced earnings by \$51 million.

Start-up Expenses

Project start-up costs in 2003 increased by \$5 million, after-tax, reflecting the commissioning and start-up of Firebag.

Non-Cash Expenses

Non-cash DD&A expense, including overburden amortization expense increased marginally, to \$451 million from \$450 million in 2002.

In 2003, Oil Sands average overburden removal stripping ratio was 0.46 cubic metres of overburden for every tonne of ore mined. In 2002, this ratio was 0.47 cubic metres per tonne. While the lower stripping ratio reduced overburden amortization cost in 2003 compared with 2002, there was a net increase in the amortization charge due to higher volumes mined in 2003 and higher removal costs. Overburden amortization was \$208 million in 2003 compared with \$202 million in 2002.

Stripping ratios are expected to increase until 2006 as proportionately more mining activity is conducted on the company's Millennium mine, which has a higher stripping ratio. From 2006 to 2010 it is expected that all of the mining production will come from the Millennium mine and the overburden amortization cost will increase. (For a discussion of stripping ratios see page 29.)

The impact of the expected higher overburden amortization costs is expected to be partially offset by a higher bitumen ore grade and a lower fines content per tonne mined.

Due to the use of judgment and the extended time frame associated with the company's stripping ratio and bitumen recovery estimates, actual results may differ, and these differences may be material.

Tax Adjustments

The negative tax adjustment in 2003 compared with 2002 of \$133 million primarily related to changes in the federal government's taxation policies for the resource sector.

Operating Costs

Effective January 2003, Suncor revised its definition of cash and total operating costs to report only those costs directly related to producing a barrel of oil including natural gas and imported bitumen costs.

Under the new definition, cash operating costs increased to \$911 million in 2003 compared with \$835 million a year earlier primarily as a result of higher natural gas costs. Cash operating costs rose in 2003 to \$11.50 per barrel from \$11.10 per barrel in 2002.

Natural gas purchases decreased to 71 million cubic feet per day (mmcf/d) in 2003 from 79 mmcf/d in 2002, but Oil Sands costs rose to \$6.95 per mcf in 2003 from \$4.19 per mcf in 2002. This equates to a \$0.90 per barrel increase in cash costs.

Non-cash costs per barrel decreased to \$5.70 in 2003 from \$6.00 in 2002 due to increased production volumes.

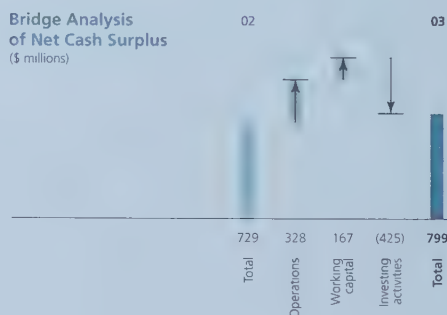
NET CASH SURPLUS ANALYSIS

Cash flow from operations increased to \$1.8 billion during the year from \$1.5 billion in 2002. The increase was due to the same factors that increased net earnings as well as payments made in 2002 under the employee long-term incentive plan, partially offset by increased cash overburden removal charges and increased reclamation spending in 2003.

Working capital decreased by \$51 million in 2003 compared with an increase of \$116 million in 2002. The net year-over-year reduction of \$167 million is primarily due to the larger accounts receivable balance in 2002, as a result of record sales and comparatively higher price realizations at the end of 2002 compared with 2003.

Investing activities increased to slightly more than \$1 billion in 2003 from \$630 million in 2002. The increase was due to higher capital expenditures associated with Firebag and related upgrader expansions and improvements. Investing activities in 2003 also increased due to \$97 million in higher costs resulting from the 30-day planned maintenance shutdown and \$91 million to buy out leased mining equipment.

Combined, the above factors resulted in a net cash surplus of \$799 million in 2003, compared with a surplus of \$729 million in 2002.



OUTLOOK

Suncor's Oil Sands operations continue to be the focus of the company's business strategy. Independent evaluations currently place total Oil Sands mining and in-situ recoverable bitumen reserves and resources⁽¹⁾ at 12 billion barrels, including proved and probable in-situ and mining bitumen. This is equivalent to approximately 10 billion barrels of synthetic crude oil based on current processing yields.

Suncor's future plans for Oil Sands remain focused on activities and investments expected to increase production, decrease operating costs and improve environment, health and safety performance.

Production Growth Plans

In 2004, Oil Sands production is expected to average 225,000 to 230,000 bpd from existing upgrading assets. The addition of a vacuum unit to Upgrader #2 and bitumen feed from Firebag stage one is planned to increase production capacity to 260,000 bpd by 2005. Both components of this expansion project are proceeding on schedule and costs are expected to approximate the budget estimate of \$1 billion.

As part of its Voyageur growth strategy to increase production to 500,000 to 550,000 bpd in 2010 to 2012, Suncor announced plans to further boost production capacity to 330,000 bpd by late 2007. This increase to 330,000 bpd is expected to cost an estimated \$3 billion including approximately \$1.5 billion for expansions to Upgrader #2 and \$1.5 billion for development of additional Firebag in-situ stages, mining and extraction. As these cost estimates are based on preliminary engineering, actual amounts will differ and the differences may be material.

The upgrading component of this project includes construction of a pair of coke drums, a sulphur recovery plant and other crude oil processing equipment. Plans have been submitted to regulators and were approved in the first quarter of 2004. Subject to Board of Directors approval, construction is scheduled to begin in late 2004.

Cost estimates for future stages of the Voyageur growth strategy, including potential construction and expansion of a third upgrading train, will be provided once preliminary engineering is completed. Ultimate development of these future stages requires approval of regulators and Suncor's Board of Directors.

PRODUCTION PLAN

Description	Regulatory Approval	Board of Directors Approval	Cost Estimate ⁽²⁾ (\$ billions)	Production Capacity (bpd)	Status
Firebag in-situ – stage one and upgrader vacuum unit	Yes	Yes	\$1	260,000 in 2005	Firebag stage 1 construction complete. Vacuum unit under construction. Project is on schedule and on budget.
Additional Firebag in-situ stages and upgrader coker unit expansion	Yes	Firebag stage 2 approved. Additional stages and coker unit subject to approval.	\$3	330,000 in late 2007	Firebag stage 2 construction under way.
Potential third upgrader – asset configuration still to be determined	No	No	Not available	500,000 to 550,000 in 2010 to 2012	

(1) Resource volumes include quantities of oil and gas that are estimated, on a given date, to be potentially recoverable from known accumulations, but lack specific criteria to be classified as reserves. The criteria for not classifying these volumes as reserves include items such as insufficient drilling density and lack of near term development plans. U.S. companies are prohibited from disclosing estimates of probable reserves and resources for non-mining properties in filings with the United States Securities and Exchange Commission. As a result, Suncor's aggregate reserve and resource estimates may not be comparable to those made by U.S. companies.

(2) These cost estimates are based on preliminary engineering. Actual amounts will differ and the differences may be material.

Mine Extension

Suncor announced an Environmental Impact Assessment on a proposed extension of its oil sands mining operations in January 2004. The proposed development, an extension of Suncor's Steepbank mine, would replace ore production that is expected to be depleted prior to the end of the decade. Suncor is seeking regulatory approval by the end of 2006 with construction planned to commence in 2007. The mine is expected to be fully operational in 2010. Currently, capital development costs are estimated at \$350 million. As these cost estimates are preliminary, actual amounts will differ and the differences may be material. Final approval from Suncor's Board of Directors is also required before construction can proceed.

Third Party Bitumen

Incremental bitumen to feed the planned upgrader expansion is also expected to be provided under a processing agreement between Suncor and Petro-Canada, slated to take effect in 2008. Under the agreement, Suncor will process at least 27,000 bpd of Petro-Canada bitumen on a fee-for-service basis. Petro-Canada will retain ownership of the bitumen and resulting sour crude oil production of about 22,000 bpd. In addition, Suncor will sell an additional 26,000 bpd of Suncor proprietary sour crude oil production to Petro-Canada. Both the processing and sales components of the agreement will be for a minimum 10-year term.

Operating Costs

Suncor will continue to focus on reducing operating costs and is targeting a cash operating cost of \$10.75 to \$11.75 per barrel in 2004 (excluding project start-up costs). Oil Sands production targets do not reflect bitumen production from Firebag. Start-up of in-situ operations will occur throughout 2004 with full production expected in 2005. It is not possible to accurately predict production during the start-up period. The cash operating cost outlook assumes a price of US\$5.50 per mcf of natural gas at Henry Hub. Continued high natural gas prices will pose a significant challenge to achieving the 2004 operating cost target. A change of US\$1.00 per mcf in the Henry Hub price of natural gas would result in a change of approximately Cdn\$0.50 per barrel to cash operating costs.

RISK/SUCCESS FACTORS AFFECTING PERFORMANCE

Certain issues Suncor must manage that may affect performance include, but are not limited to, the following:

- >> Suncor's ability to finance Oil Sands growth in a volatile commodity pricing environment. Also refer to Suncor Overview, Liquidity and Capital Resources on page 20.
- >> The ability to complete future projects both on time and on budget. This could be impacted by competition from other projects (including other oil sands projects) for skilled people, increased demands on the Fort McMurray infrastructure (housing, roads, schools, etc.), or higher prices for the products and services required to operate and maintain the operations. Suncor continues to address these issues through a comprehensive recruitment and retention strategy, working with the community to determine infrastructure needs, designing Oil Sands expansion to reduce unit costs, seeking strategic alliances with service providers and maintaining a strong focus on engineering, procurement and project management.
- >> Potential changes in the demand for refinery feedstock and diesel fuel. Suncor believes it can reduce the impact of this issue by entering into long-term supply agreements with major customers, expanding its customer base and offering a variety of blends of refinery feedstock to meet customer specifications.
- >> Volatility in crude oil and natural gas prices and exchange factors and the light/heavy and sweet/sour crude oil differentials. Prices and differentials are difficult to predict and impossible to control.
- >> Unplanned production or operational outages and slowdowns. Outages can impact both production levels and costs.
- >> Suncor's relationship with its trade unions. Work disruptions have the potential to adversely affect Oil Sands operations and growth projects.

These factors and estimates are subject to certain risks, assumptions and uncertainties discussed on page 51 under Forward-looking Statements. Also refer to Suncor Overview, Risk/Success Factors Affecting Performance on page 24.

>> Natural Gas

Suncor's NG business primarily produces conventional natural gas in Western Canada. NG's production provides a price hedge that affords the company a degree of protection from volatile market prices of natural gas purchased for internal consumption.

NG's strategy is focused on:

>> Building competitive operating areas.

>> Improving base business efficiency.

>> Creating new, low-capital business opportunities.

NG's long-term goals are to achieve a sustainable ROCE of 12% at mid-cycle prices (US\$3.50 to US\$4.00/mcf) and to ensure natural gas production keeps pace with company-wide natural gas purchases.

Highlights

SUMMARY OF RESULTS

Year ended December 31

(\$ millions unless otherwise noted)	2003	2002	2001
Revenue	512	339	481
Production (thousands of barrels of oil equivalent per day (boe/d))	34.9	33.7	33.4
Natural gas (mmcf/day)	187	179	177
Natural gas liquids (thousands bpd)	2.3	2.4	2.4
Crude oil (thousands bpd)	1.4	1.5	1.5
Average sales price			
Natural gas (\$/mcf)	6.42	3.91	6.09
Natural gas liquids (\$/barrel)	36.08	29.35	34.38
Crude oil (\$/barrel)	40.29	31.72	33.92
Net earnings before tax adjustments	85	33	97
Tax adjustments	44	2	20
Net earnings	129	35	117
Cash flow from operations	300	164	280
Total assets	784	765	722
Cash used in investing activities	166	158	113
Net cash surplus	143	28	211
ROCE (%) ⁽¹⁾	29.2	9.2	32.1

(1) ROCE for Suncor operating segments is calculated in a manner consistent with consolidated ROCE as reconciled in Non-GAAP Financial Measures. See page 50.

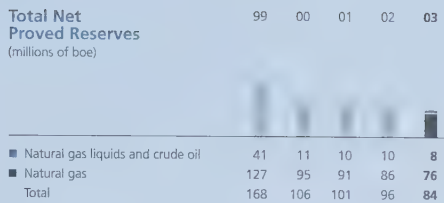
SIGNIFICANT DEVELOPMENTS DURING 2003

>> Higher commodity prices and the impact of favourable tax adjustments drove strong financial results.

>> Production increased 4% to 187 mmcf/d in 2003 compared with 179 mmcf/d in 2002. Favourable drilling results in the Foothills operating area were a major factor in delivering volume additions.

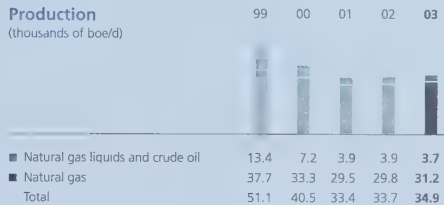
>> Divestment of non-core assets yielded proceeds of \$12 million (\$7 million after tax).

Total Net Proved Reserves
(millions of boe)



NG activities have continued to be directed towards developing properties.

Production
(thousands of boe/d)



NG production increased 4% in 2003.

Offsetting increasing internal natural gas consumption continues to be a key long-term strategy in NG. In 2003, Suncor produced 187 mmcf/d of natural gas. With the acquisition of the Denver refinery, natural gas purchases in the fourth quarter of 2003 were approximately 120 mmcf/d. Oil Sands consumed an additional 40 mmcf/d of non-purchased gas received, as available, under an existing third party agreement in exchange for coker gases produced as a byproduct of upgrading operations.

Analysis of Net Earnings

NG's net earnings increased to \$129 million in 2003 from \$35 million in 2002 due to the favourable impact of commodity prices and decreased non-cash income tax expense, combined with increased production volumes and increased divestment gains. These factors were partially offset by higher royalty expenses, increased exploration expenses due to dry hole costs, higher DD&A and operating costs.

NG's average natural gas production increased to 187 mmcf/d in 2003 from 179 mmcf/d in 2002. Including liquids, total production in 2003 was 34,900 boe/d compared with 33,700 boe/d in 2002. Volume additions were partially offset by natural reservoir declines in existing wells. The higher volumes increased earnings by \$5 million in 2003.

In 2003, NG's average realized price for natural gas was \$6.42 per mcf, 64% higher than the average \$3.91 per mcf realized in 2002. The higher WTI benchmark crude oil price in 2003 resulted in higher price realizations for NG's crude oil and natural gas liquids production.

The combined impact of the above pricing factors increased earnings in 2003 by \$88 million compared with 2002.

Suncor NG Pricing vs. Industry Average (\$/mcf)

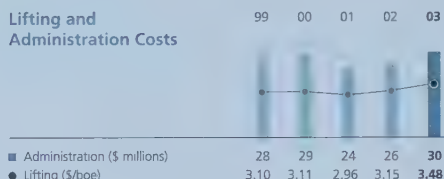


The 2003 industry average reference price is an estimate.

Operating costs increased to \$77 million from \$69 million in 2002 due primarily to higher electricity and site reclamation costs. The increase reduced earnings by \$3 million after-tax.

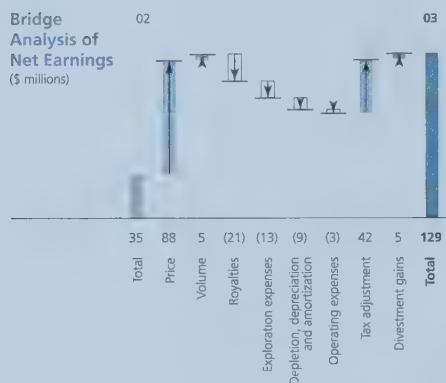
The positive tax adjustment in 2003 compared to 2002 of \$42 million primarily related to changes in the federal government's taxation policies for the resource sector.

Lifting and Administration Costs



Lifting costs increased in 2003 due to increased electricity costs and employee benefit costs

Bridge Analysis of Net Earnings (\$ millions)



Expenses

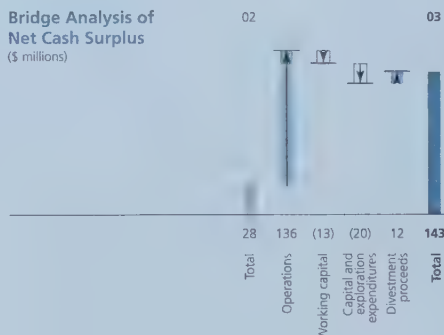
Royalties on NG production increased to \$106 million (\$8.32 per boe) in 2003, up from \$65 million (\$5.27 per boe) in 2002. The higher royalties reflect higher average commodity prices and increased production, which reduced after-tax earnings by \$21 million.

Exploration expenses increased to \$40 million in 2003 compared with \$17 million in 2002, which reduced after-tax earnings by \$13 million. The increase was due to higher dry hole costs and seismic expenditures. DD&A expenses increased to \$91 million in 2003 from \$75 million in 2002. The increase of \$9 million after-tax was due to a higher depletable cost base and higher production, along with increased amortization of unproved coal bed methane lands. Suncor plans to continue to acquire land and explore for coal bed methane in the United States.

NET CASH SURPLUS ANALYSIS

NG's net cash surplus was \$143 million in 2003 compared with \$28 million in 2002. Cash flow from operations increased to \$300 million compared with \$164 million a year earlier, largely due to higher commodity prices, partially offset by higher royalties. Working capital changed by \$9 million in 2003 compared with a change of \$22 million in 2002, due primarily to a reduction in accounts payable of \$13 million. Cash used in investing activities increased to \$166 million compared with \$158 million in 2002 as a result of higher capital and exploration costs partially offset by divestment proceeds of \$12 million from the sale of Mackenzie Delta non-core assets. There was no production, nor did Suncor have exploration or development plans for these assets.

Bridge Analysis of Net Cash Surplus (\$ millions)



OUTLOOK

NG's long-term financial goal is to achieve a sustainable ROCE of 12% at mid-cycle natural gas prices (US\$3.50 to US\$4.00/mcf). To meet this goal, management plans to continue improving base business efficiency, with a focus on reducing operating costs and capturing benefits from strategic partnerships and supply chain management.

At the same time, NG continues to work towards an operational target of increasing production by 3% to 5% per year to keep pace with the company's growing internal natural gas demands. In 2004, with continued development of the Firebag in-situ oil sands operation and full-year demands from the R&M refinery, Suncor's purchased consumption of gas is expected to be approximately 120 mmcf/d.



To support these goals, the company has budgeted \$195 million in capital spending for exploration and development in 2004. NG's production goal for 2004 is 190 to 195 mmcf/d of natural gas production and approximately 3,300 bpd of crude oil and natural gas liquids.

NG will continue to leverage its expertise and existing assets to bring reserves into production in Western Canada. However, increasing production will likely require expansion through farm-ins,⁽¹⁾ joint-ventures or property acquisitions, which could expand the size and number of operating areas.

RISK/SUCCESS FACTORS AFFECTING PERFORMANCE

Certain issues Suncor must manage that may affect performance of the NG business include, but are not limited to, the following:

- >> Consistently and competitively finding and developing reserves that can be brought on stream economically. Positive or negative reserve revisions arising from technical and economic factors can have a corresponding positive or negative impact on asset valuation and depletion rates.
- >> The impact of market demand for land and services on capital and operating costs. Market demand and the availability of opportunities also influences the cost of acquisitions and the willingness of competitors to allow farm-ins on prospects.
- >> Risks and uncertainties associated with obtaining regulatory approval for exploration and development activities. These risks could add to costs or cause delays to projects.

These factors and estimates are subject to certain risks, assumptions and uncertainties discussed on page 51 under Forward-looking Statements. Refer to the Suncor Overview, Risk/Success Factors Affecting Performance on page 24.

(1) Acquisitions of all or part of the operating rights from the working interest owner. The acquirer assumes all or some of the burden of development in return for an interest in the property. The assignor usually retains an overriding royalty but may retain any type of interest.

>> Energy Marketing and Refining – Canada

Energy Marketing and Refining – Canada (EM&R) operates a 70,000 bpd (approximately 11,100 cubic metres per day) capacity refinery in Sarnia, Ontario, and markets refined products to industrial, wholesale and commercial customers primarily in Ontario and Quebec. Through its Sunoco-branded and joint venture operated service networks, the business markets products to retail customers in Ontario. The business also encompasses third party energy marketing activities and energy trading activities as well as providing marketing services for the sale of crude oil and natural gas on behalf of the Oil Sands and NG operations.

EM&R's strategy is focused on:

- >> Enhancing the profitability of refining operations by improving reliability and product yields and enhancing operational flexibility to process a variety of feedstock.
- >> Increasing the profitability and efficiency of retail networks by improving average site throughput and growing non-fuel ancillary retail revenue.
- >> Creating downstream market opportunities to capture greater long-term value from Oil Sands production.

As a marketing channel for Suncor's refined products, EM&R's Ontario retail networks generated approximately 58% of EM&R's total 2003 sales volumes of 94,400 bpd. EM&R's retail networks comprise 279 Sunoco-branded retail service stations, 18 Sunoco-branded Fleet Fuel Cardlock sites, and two 50% retail joint venture⁽¹⁾ businesses that operate 147 Pioneer-branded retail service stations, 53 UPI-branded retail service stations and 14 UPI bulk distribution facilities for rural and farm fuels. Wholesale and industrial sales were responsible for approximately 37% of EM&R's refined product sales in 2003. Sun Petrochemicals Company (SPC), a 50% joint venture between a Suncor subsidiary and a Toledo, Ohio based refiner, generated the remaining 5% of sales.

Highlights

SUMMARY OF RESULTS

Year ended December 31

(\$ millions unless otherwise noted)	2003	2002	2001
Revenue	2 671	2 508	2 673
Refined product sales (millions of litres)			
Sunoco retail gasoline	1 599	1 642	1 575
Total	5 477	5 286	5 419
Net earnings (loss) breakdown:			
Rack Back	48	10	47
Rack Forward	19	16	23
Energy marketing and trading activities	(2)	3	—
Gain on sale of retail natural gas marketing business	—	35	—
Tax adjustments	(12)	—	10
Total net earnings	53	64	80
Cash flow from operations	164	112	165
Cash used in investing activities	135	34	71
Net cash surplus	29	63	111
ROCE (%) ⁽¹⁾	10.2	12.5	18.4

(1) ROCE for Suncor operating segments is calculated in a manner consistent with consolidated ROCE as reconciled in Non-GAAP Financial Measures. See page 50.

SIGNIFICANT DEVELOPMENTS DURING 2003

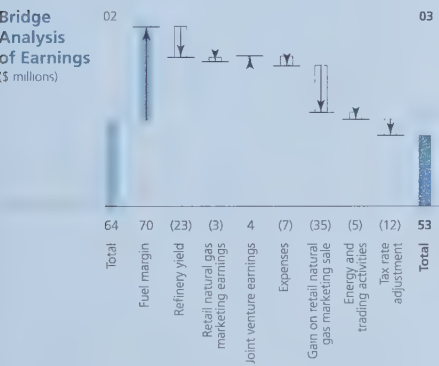
- >> In October 2003, Suncor and Shell Canada Products entered into a long-term agreement under which EM&R's Sarnia refinery will process high sulphur diesel from Shell's Sarnia refinery into low sulphur diesel to meet federal regulations that take effect in 2006. The agreement with Shell is expected to result in cost efficiencies for both parties.
- >> In 2003, 53 Sunoco convenience stores were renovated to enhance their appearance and align with new Sunoco sites. Merchandise sales in these locations increased 13% within six months of completion of the renovations.
- >> EM&R's refined product market share in its primary market of Ontario increased to 19% in 2003, compared to 17% in 2002. Approximately 93% of EM&R's refined products were sold to the Ontario market in 2003.

(1) Pioneer Group Inc. is an independent company with which Suncor has a 50% joint venture partnership. UPI Inc. is a 50% joint venture company with GROWMARK Inc., a Midwest U.S. retail farm supply and grain marketing cooperative.

ANALYSIS OF NET EARNINGS

EM&R's net earnings decreased to \$53 million in 2003 from \$64 million in 2002. Net earnings in 2002 included a \$35 million after-tax gain on the sale of EM&R's retail natural gas marketing business. Excluding the gain, net earnings increased by \$24 million, or 83%, from 2002. This increase was primarily due to higher refining margins in 2003.

EM&R reports results based on an internal organizational structure. The Rack Back division includes Ontario refining operations, as well as sales and distribution to the Sarnia refinery's largest industrial and reseller customers and the SPC joint venture. Rack Forward includes retail operations, cardlock and industrial/commercial sales, as well as the UPI and Pioneer joint ventures. EM&R results also include the impact of Suncor's third party energy marketing and energy trading activities, that are reported separately in this analysis.



RACK BACK: REFINING AND INDUSTRIAL CUSTOMER DIVISION

Rack Back recorded improved net earnings of \$48 million in 2003 compared with \$10 million in 2002. The increase was due primarily to higher refining margins, partially offset by higher refinery expenses.

Refining margins averaged 6.5 cpl during 2003, up 35% from 4.8 cpl in 2002. The margin increase was largely a result of strong refined product demand and increased net earnings by \$67 million. Increases in jet fuel, diesel fuel, petrochemical and heavy fuel oil sales volumes were partially offset by decreases in gasoline sales volumes.

Refinery utilization averaged 95% in 2003, unchanged from 2002. Utilization was less than capacity in 2003 primarily due to impacts of a widespread power outage that struck the northeastern United States and southern Ontario in August. Utilization was also affected by a planned 32-day maintenance shutdown on a portion of the refinery completed in the fourth quarter of 2003. Utilization capacity in 2002 was affected by a planned 34-day maintenance shutdown on a portion of the refinery's operations, and a number of smaller, unplanned outages.

The favourable impact of improved margins and higher volumes was partially offset by higher product purchase costs associated with meeting customer needs during the power outage noted above. These factors, including the impact of higher commodity prices in 2003 compared with 2002, reduced earnings by \$23 million.

Expenses for the Rack Back division increased by \$11 million in 2003 compared with 2002 resulting in a \$7 million reduction in net earnings. The increase reflects higher natural gas costs, employee future benefits expense, and unplanned refinery maintenance expenses primarily as a result of the power outage. The early settlement of certain natural gas contracts, prompted by an unfavourable change in the credit rating of a counterparty, resulted in an expense reduction of \$12 million. These contracts were replaced at current market prices for the supply of natural gas in 2004.

Net earnings from the SPC joint venture increased by \$2 million due to a combination of inventory draws and lower freight expenses.

RACK FORWARD: RETAIL AND COMMERCIAL CUSTOMER DIVISION

Rack Forward net earnings in 2003 decreased to \$19 million from \$51 million in 2002. Net earnings in 2002 included a \$35 million after-tax gain on the sale of EM&R's retail natural gas marketing business. Earnings excluding the retail natural gas sale increased \$3 million year over year primarily due to higher diesel fuel, commercial and reseller gasoline margins, which increased earnings by \$3 million, and higher UPI and Pioneer joint venture earnings of \$2 million. This was partially offset by the absence of earnings in 2003 from the retail natural gas business, which had earnings of \$3 million in 2002.

Average Sunoco-branded service station site throughput was 5.9 million litres per site in 2003 compared to 5.8 million litres per site in 2002. Site throughput is an important indicator of network efficiency. Total gasoline sales volumes in the Sunoco-branded retail network decreased to 1,599 million litres from 1,642 million litres in 2002. This volume decrease was attributed to local economic factors in the Ontario market, as well as site divestments and construction downtime related to network development. Sunoco-branded retail gasoline margins averaged 6.6 cpl, equal to the prior year.

EM&R's Ontario retail gasoline market share, including all Sunoco and joint venture operated retail sites, was 19% compared to 20% in 2002.

Margins (cpl)	99	00	01	02	03
● Retail gasoline margin	7.4	6.6	6.6	6.6	6.6
● Refining margin	4.0	5.9	5.7	4.8	6.5

The refining margin increased 35% from 2002 in response to strong product demand

RELATED PARTY TRANSACTIONS

In accordance with GAAP, the Pioneer, UPI and SPC joint ventures are considered to be related parties to Suncor. EM&R supplies refined petroleum products to the Pioneer and UPI joint ventures. In addition, EM&R supplies petrochemical products to SPC. Suncor has a separate supply agreement with each of Pioneer, UPI and SPC. These supply agreements are evergreen, subject to termination only in accordance with the various agreements between the parties.

The following table summarizes the company's related party transactions with Pioneer, UPI and SPC, after eliminations, for the year. These transactions are in the normal course of operations and have been conducted on the same terms as would apply with unrelated parties.

(\$ millions)	2003	2002	2001
Operating revenues			
Sales to Energy Marketing and Refining – Canada segment joint ventures:			
Refined products	301	321	300
Petrochemicals	187	142	131

At December 31, 2003, amounts due from EM&R joint ventures were \$36 million (2002 – \$30 million).

ENERGY MARKETING AND TRADING ACTIVITIES

Third party energy marketing and energy trading activities, comprising both third party crude oil marketing, as well as financial and physical derivatives trading activities, resulted in a net loss of \$2 million in 2003 compared to net earnings of \$3 million in 2002. After-tax losses in energy trading activities during 2003 more than offset after-tax earnings from marketing activities. As energy trading activities commenced in late 2002, they did not have a significant impact on 2002's financial results.

Energy trading activities by their nature can result in volatile and large fluctuations in earnings, both positive and negative. Prior to commencing the energy trading activities, a separate risk management function was set up to review and monitor practices and policies and provide independent verification and valuation of these activities.

TAX ADJUSTMENTS

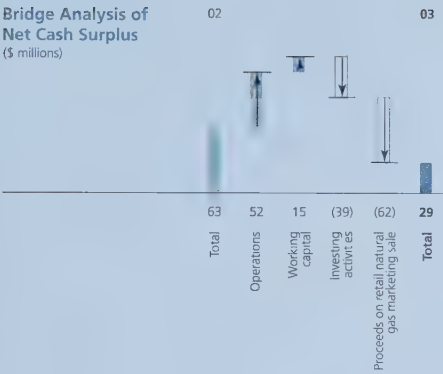
EM&R 2003 net earnings included a \$12 million future income tax charge, due to the repeal of previously announced reductions in income tax rates by the Ontario provincial government.

NET CASH SURPLUS ANALYSIS

EM&R's net cash surplus decreased to \$29 million in 2003 from \$63 million in 2002. Cash flow from operations increased to \$164 million in 2003 from \$112 million in 2002. Working capital was unchanged in 2003, compared to an increase of \$15 million in 2002, resulting in a year-over-year working capital improvement of \$15 million.

The favourable impacts of the increased cash flow from operations and working capital were more than offset by an increase in cash used in investing activities, which increased to \$135 million compared to \$34 million in 2002. The increase primarily reflects capital expenditures associated with gasoline and diesel desulphurization projects at the Sarnia refinery, and the impact in 2002 of \$62 million in proceeds received from the sale of the retail natural gas marketing business.

Bridge Analysis of
Net Cash Surplus
(\$ millions)



OUTLOOK

In October 2003, Suncor and Shell Canada Products entered into an agreement under which EM&R's Sarnia refinery will process high sulphur diesel from Shell's Sarnia refinery into low sulphur diesel, on a fee-for-service basis. The 20-year agreement is expected to enable both companies to meet federal regulations for on-road ultra low sulphur diesel fuel that take effect June 1, 2006. Operating a single hydrotreating unit, instead of two separate units, is expected to result in cost synergies to Suncor and Shell and environmental benefits for the Sarnia-Lambton community as one larger unit is expected to consume comparatively less energy and have lower greenhouse gas emissions. Engineering and construction details of the new facilities are in development. Construction of the facility is still subject to regulatory approval.

The project is expected to be completed in early 2006. Currently estimated to cost \$300 million, the project is subject to change as detailed engineering is completed. In Suncor's 2002 Annual Report, the company originally estimated it would cost \$225 million to meet diesel desulphurization regulations. The estimate increased after Suncor reached an agreement with Shell and the project scope was expanded to accommodate the higher capacity.

In combination with the diesel desulphurization project, Suncor is currently assessing plans to modify the Sarnia refinery to permit the processing of additional Oil Sands crude oil. These modifications, as currently envisioned, are expected to increase refinery production capacity by about 10%, and make the refinery more competitive through lower feedstock costs over the long term. This cost estimate is based on preliminary scope and engineering, actual amounts may differ and the difference may be material.

Suncor is continuing to review the feasibility of a proposed ethanol plant in the Sarnia region. The proposed plant would produce approximately 200 million litres of ethanol annually for blending in Suncor's Sunoco-branded fuels and fuels sold through its joint venture operated networks. The cost of constructing the facility is currently estimated to be \$120 million. In February 2004, Suncor announced its proposal for funding was approved by the federal government's Ethanol Expansion Program. Subject to final approvals, Suncor will receive a \$22 million contribution towards the construction of an ethanol production facility. There are certain performance requirements that will determine if any of these funds need to be repaid.

Cost estimates are, by their nature, uncertain and can be subject to wide variances as engineering is developed and as construction progresses. Estimates are subject to revisions, which may be material.

RISK/SUCCESS FACTORS AFFECTING
PERFORMANCE

Certain issues Suncor must manage that may affect performance of the EM&R business include, but are not limited to, the following:

- >> Management expects that fluctuations in demand for refined products, margin and price volatility, and market competition, including potential new market entrants, will continue to impact the business environment.
- >> There are certain risks associated with the execution of capital projects, including the risk of cost overruns. The diesel desulphurization project must be completed prior to June 1, 2006, to ensure compliance with the legislative requirements. Numerous risks and uncertainties can affect construction schedules, including the availability of labour and other impacts of competing projects drawing on the same resources during the same time period.
- >> Environment Canada is expected to finalize regulations reducing sulphur in off-road diesel fuel and light fuel oil to take effect later in the decade. Suncor believes that if the regulations are finalized as currently proposed, the new facilities for reducing sulphur in on-road diesel fuel should also allow the company to meet the requirements for reducing sulphur in off-road diesel and light fuel oil.

For a discussion of other risks, assumptions and uncertainties, refer to Suncor Overview, Risk/Success Factors Affecting Performance on page 24.

>> Refining and Marketing – U.S.A.

In August 2003, Suncor acquired its first U.S. refining and marketing business. This acquisition is part of an integration strategy aimed at improving access to the North American energy markets through acquisitions, long-term contracts and possible joint ventures.

R&M's strategy is focused on:

- >> Enhancing the profitability of refining operations by improving reliability, product yields and operational flexibility to process a variety of feedstocks, including crude oil streams from Oil Sands operations.
- >> Creating additional downstream integration opportunities in the United States to capture greater long-term value from Oil Sands production.

Highlights

SUMMARY OF RESULTS

Five-month period ended December 31

(Cdn\$ millions unless otherwise noted)

	2003
Revenue	515
Refined product sales	
(millions of litres)	
Gasoline	636
Total	1 384
Net earnings	18
Cash flow from operations	34
Investing activities	300
Net cash surplus (deficiency)	(220)

Assets include:

- >> A 60,000 bpd (approximately 9,500 cubic metres per day) capacity refinery located in the Denver, Colorado area.
- >> A 100% interest in the 480-kilometre Rocky Mountain pipeline system.
- >> A 65% interest in the 140-kilometre Centennial pipeline system.
- >> 43 Phillips 66-branded retail stations, primarily in the Denver, Colorado area.

ANALYSIS OF NET EARNINGS

Net earnings for the period from August 1, 2003, through December 31, 2003, were \$18 million, including after-tax transition and start-up costs of approximately \$4 million. Net earnings reflect average refining margins of 5.9 cpl, retail margins of 5.6 cpl and a refinery utilization rate of 98%. Net earnings in 2003 reflect the five-month period since the acquisition and are not necessarily indicative of the expected results of operations for a full year. The profitability of R&M is expected to vary throughout the year due to the seasonal nature of vehicle fuel and asphalt sales and the logistics of moving product into and out of Colorado. As a result, summer months are typically expected to be more profitable than winter months.

EXPENSES

Expenses of \$484 million for 2003 were primarily driven by crude oil purchases of \$342 million. The refinery relies on a mixture of heavy high sulphur and light low sulphur crude oil feedstocks from both Canadian and U.S. sources. Currently, only a small portion of R&M's crude slate comes from Suncor's Oil Sands operation. Other expenses included excise taxes, DD&A and selling, general and administrative costs.

NET CASH DEFICIENCY ANALYSIS

Cash flow from operations was \$34 million, reflecting earnings generated in five months of operation, which are not necessarily indicative of the cash flow from operations to be expected for a full year. Working capital was \$46 million reflecting R&M's net liabilities balance at year-end, driven primarily by accrued liabilities for crude oil purchases and other accounts payable, partially offset by accounts receivable and inventory balances. Future working capital requirements will be assessed as R&M's business strategy is more fully developed.

Cash used in investing activities was \$300 million, primarily relating to costs associated with the acquisition of the business. This total includes \$28 million of

expenditures reflecting transitional infrastructure costs and sustaining capital outlays, including expenditures related to meeting legislated limits for sulphur content in gasoline and diesel fuels.

Combined, the above factors resulted in a net cash deficiency of \$220 million.

OUTLOOK

Based on preliminary engineering, R&M estimates it will spend approximately \$250 million to \$325 million (US\$175 million to US\$225 million) between 2003 and 2006 to meet fuels desulphurization legislation and to enable the refinery to integrate about 20,000 bpd of Oil Sands crude oil blends, with up to 15,000 bpd of Oil Sands sour crude. This cost estimate is based on preliminary scope and engineering. Actual amounts will differ and the differences may be material.

Suncor is currently assessing its plans for potential additional refinery modifications post-2006 in order to have the potential to integrate up to an additional 30,000 bpd of Oil Sands crude oil, including additional barrels of Oil Sands sour crude oil. Cost estimates for this project are not yet available.

In early March 2004, scheduled maintenance is planned for pipeline and refinery equipment. During this estimated 10-day maintenance period there will be minimal production. Customer requirements are expected to be met from inventory and third party purchases and exchanges.

R&M expects to spend an additional \$35 million to \$45 million (US\$25 million to US\$30 million) by 2006 to meet existing obligations between the refinery and the United States Environmental Protection Agency and the State of Colorado. The expenditures, intended to improve environmental performance, are currently expected to be primarily capital.

With the R&M acquisition, Suncor assumed a work force of approximately 585 employees, including about 300 retail employees. Suncor also assumed the existing contract with the local Paper, Allied-Industrial Chemical and Energy Workers International Union, which applies to hourly wage employees at the refinery. This four-year contract will expire in January 2006.

As part of its transition to operations in Colorado, Suncor has initiated a strategic marketing review to develop an integrated marketing plan for R&M. This work is expected to be completed in 2004.

RISK/SUCCESS FACTORS AFFECTING PERFORMANCE

Certain issues Suncor must manage that may affect performance of the R&M business include, but are not limited to, the following:

- >> Management expects continuing fluctuations in demand for refined products, margin and price volatility and market competitiveness, including potential new market entrants, will continue to impact the business.
- >> There are certain risks associated with the execution of the fuels desulphurization project, including ensuring construction and commissioning is completed in time to comply with the June 1, 2006 legislative requirements. Numerous risks and uncertainties can affect construction schedules, including the availability of labour and other impacts of competing projects drawing on the same resources during the same time period. As well, Suncor's U.S. capital projects are expected to be partially funded from Canadian operations. A weaker Canadian dollar would result in a higher funding requirement for U.S. capital programs.

For a discussion of other risks, assumptions and uncertainties, refer to Suncor Overview, Risk/Success Factors Affecting Performance on page 24.

>> Non-GAAP Financial Measures

Certain financial measures referred to in this MD&A are not prescribed by GAAP. These non-GAAP financial measures do not have any standardized meaning and therefore are unlikely to be comparable to similar measures presented by other companies. Suncor includes cash flow from operations (dollars

and per share amounts), ROCE, and operating costs per barrel data because investors may use this information to analyze operating performance, leverage and liquidity. The additional information should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP.

CASH FLOW FROM OPERATIONS PER COMMON SHARE

Cash flow from operations is expressed before changes in non-cash working capital. A reconciliation of net earnings to cash flow from operations is provided in the schedules of segmented data, which are an integral part of Suncor's consolidated financial statements.

For the year ended December 31		2003	2002	2001
Cash flow from operations (\$ millions)	A	2 081	1 440	831
Dividends paid on Preferred Securities (\$ millions, pretax)	B	45	48	48
Weighted average number of common shares outstanding (millions of shares)	C	449.8	447.8	445.0
Cash flow from operations (per share)	A/C	4.63	3.22	1.87
Dividends paid on Preferred Securities (pretax, per share)	B/C	0.10	0.11	0.11
Cash flow from operations after deducting dividends paid on Preferred Securities (per share)	(A-B)/C	4.53	3.11	1.76

ROCE

For the year ended December 31 (\$ millions, except ROCE)		2003	2002	2001
Adjusted net earnings				
Net earnings		1 084	761	388
Add: after-tax financing expenses (income)		(75)	72	9
	D	1 009	833	397
Capital employed – beginning of year				
Short-term and long-term debt, less cash and cash equivalents		2 671	3 143	2 235
Shareholders' equity		3 458	2 780	2 472
		6 129	5 923	4 707
Less capitalized costs related to major projects in progress ⁽¹⁾		(511)	(178)	(2 497)
	E	5 618	5 745	2 210
Capital employed – end of year				
Short-term and long-term debt, less cash and cash equivalents		2 091	2 671	3 143
Shareholders' equity		4 425	3 458	2 780
		6 516	6 129	5 923
Less capitalized costs related to major projects in progress		(1 122)	(511)	(3 691)
	F	5 394	5 618	2 232
Average capital employed	G=(E+F)/2	5 506	5 682	2 221
ROCE (%)	D/G	18.3	14.6	17.8

(1) During 2001, Millennium was a significant major project in progress throughout the year that was commissioned late in December. As such, Millennium work in progress was included as a reduction of the capital employed at the end of the year for 2001, but excluded as a reduction of the 2002 capital employed at the beginning of the year.

OIL SANDS OPERATING COSTS

For the year ended December 31	2003		2002		2001	
	\$ millions	\$/barrel	\$ millions	\$/barrel	\$ millions	\$/barrel
Operating, selling and general expenses	890		806		481	
Less: natural gas costs and inventory changes	(176)		(116)		(94)	
Taxes other than income taxes	24		23		12	
Cash costs	738	9.30	713	9.50	399	8.80
Natural gas	169	2.15	119	1.55	101	2.25
Imported bitumen (net of other reported product purchases)	4	0.05	3	0.05	3	0.05
Cash operating costs	911	11.50	835	11.10	503	11.10
Depreciation, depletion and amortization	451	5.70	450	6.00	233	5.15
Total operating costs	1 362	17.20	1 285	17.10	736	16.25
Production (thousands of barrels per day)	216.6		205.8		123.2	



FORWARD-LOOKING STATEMENTS

This Management's Discussion and Analysis contains certain forward-looking statements that are based on Suncor's current expectations, estimates, projections and assumptions that were made by the company in light of its experience and its perception of historical trends.

All statements that address expectations or projections about the future, including statements about Suncor's strategy for growth, expected and future expenditures, commodity prices, costs, schedules, production volumes, operating and financial results and expected impact of future commitments, are forward-looking statements. Some of the forward-looking statements may be identified by words like "expects," "anticipates," "plans," "intends," "believes," "projects," "indicates," "could," "vision," "goal," "target," "objective" and similar expressions. These statements are not guarantees of future performance and involve a number of risks and uncertainties, some that are similar to other oil and gas companies and some that are unique to Suncor. Suncor's actual results may differ materially from

readers are cautioned not to place undue reliance on them.

The risks, uncertainties and other factors that could influence actual results include but are not limited to: changes in the general economic, market and business conditions; fluctuations in supply and demand for Suncor's products, commodity prices and currency exchange rates; Suncor's ability to respond to changing markets and to receive timely regulatory approvals; the successful and timely implementation of capital projects including growth projects (for example the Firebag

example, the clean fuels refinery modifications projects in Suncor's

downstream businesses); the accuracy of cost estimates, some of which are provided at the conceptual or other preliminary stage of projects and prior to commencement or conception of the detailed engineering needed to reduce the margin of error or level of accuracy; the integrity and reliability of Suncor's capital assets; the cumulative impact of other resource development; future environmental laws; the accuracy of Suncor's reserve, resource and future production estimates and its success at exploration and development drilling and related activities; the maintenance of satisfactory relationships with unions; employee associations and joint venture partners; competitive actions of other companies, including increased competition from other oil and gas companies or from companies that provide alternative sources of energy; the uncertainties resulting from potential delays or changes in plans with respect to projects or capital expenditures; actions by governmental authorities including the imposition of taxes or changes to fees and royalties; changes in environmental and other regulations; the ability and willingness of parties with whom Suncor has material relationships to perform their obligations to Suncor; and the occurrence of unexpected events such as fires, blowouts, freeze-ups, equipment failures and other similar events affecting Suncor or other parties whose operations or assets directly or indirectly affect Suncor. The foregoing important factors are not exhaustive. Many of these risk factors are discussed in further detail throughout this Management's Discussion and Analysis and in the company's Annual Information Form/Form 40-F on file with Canadian Securities Commissions and the SEC. Readers are also referred to the risk factors described in other documents that Suncor files from time to time with securities regulatory authorities. Copies of these documents are available without charge from the company.

>> Management's Statement of Responsibility for Financial Reporting

The management of Suncor Energy Inc. is responsible for the presentation and preparation of the accompanying consolidated financial statements of Suncor Energy Inc. on pages 54 to 89 and all related financial information contained in this Annual Report, including Management's Discussion and Analysis.

We, as Suncor Energy Inc.'s Chief Executive Officer and Chief Financial Officer, will certify Suncor's annual disclosure document filed with the United States Securities and Exchange Commission (Form 40-F) as required by the United States Sarbanes-Oxley Act.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles. They include certain amounts that are based on estimates and judgments relating to matters not concluded by year-end. Financial information presented elsewhere in this Annual Report is consistent with that contained in the consolidated financial statements.

In management's opinion, the consolidated financial statements have been properly prepared within reasonable limits of materiality and within the framework of the significant accounting policies adopted by management as summarized on pages 54 to 57. If alternate accounting methods exist, management has chosen those policies it deems the most appropriate in the circumstances. In discharging its responsibilities for the integrity and reliability of the financial statements, management maintains and relies on a system of internal controls designed to ensure that transactions are properly authorized and recorded, assets are safeguarded against unauthorized use or disposition and liabilities are recognized. These controls include quality standards in hiring and training of employees, formalized policies and procedures, a corporate code of conduct and associated compliance program designed to establish and monitor conflicts of interest, the integrity of accounting records and financial information among others, and employee and management accountability for performance within appropriate and well-defined areas of responsibility.

The system of internal controls is further supported by the professional staff of an internal audit function who conduct periodic audits of all aspects of the company's operations.

In order to provide their opinion on the accompanying consolidated financial statements, PricewaterhouseCoopers LLP, the independent external auditors, review the company's system of internal controls and conduct their work to the extent that they consider appropriate. The company also retains independent petroleum consultants, Gilbert Laustsen Jung Associates Ltd., to conduct independent evaluations of the company's oil and gas reserves.

The Audit Committee of the Board of Directors, currently composed of four independent directors, reviews the effectiveness of the company's financial reporting systems, management information systems, internal control systems and the internal auditors. It recommends to the Board of Directors the external auditors to be appointed by the shareholders at each annual meeting and reviews the independence and effectiveness of their work. In addition, it reviews with management and the external auditors any significant financial reporting issues, the presentation and impact of significant risks and uncertainties, and key estimates and judgments of management that may be material for financial reporting purposes. The Audit Committee appoints the independent petroleum consultants. The Audit Committee meets at least quarterly to review and approve interim financial statements prior to their release, as well as annually to review Suncor's annual financial statements and Management's Discussion and Analysis, Annual Information Form/Form 40-F, and annual reserves estimates, and recommend their approval to the Board of Directors. The internal auditors and PricewaterhouseCoopers LLP have unrestricted access to the company, the Audit Committee and the Board of Directors.



Richard L. George
President and
Chief Executive Officer

January 27, 2004



J. Kenneth Alley
Senior Vice President and
Chief Financial Officer

>> Auditors' Report

TO THE SHAREHOLDERS OF SUNCOR ENERGY INC.

We have audited the Consolidated Balance Sheets of Suncor Energy Inc. as at December 31, 2003 and 2002 and the consolidated statements of earnings, cash flows and changes in shareholders' equity for each of the years in the three year period ended December 31, 2003. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the company as at December 31, 2003 and 2002 and the results of its operations and its cash flows for each of the years in the three year period ended December 31, 2003, in accordance with Canadian generally accepted accounting principles



PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

January 27, 2004

COMMENTS BY AUDITORS FOR U.S. READERS ON CANADA – U.S. REPORTING DIFFERENCES

In the United States, reporting standards for auditors require the addition of an explanatory paragraph (following the opinion paragraph) when there is a change in accounting principles that has a material effect on the comparability of the company's financial statements, such as the change described in note 1 to the consolidated financial statements. Our report to the shareholders dated January 27, 2004 is expressed in accordance with Canadian reporting standards which do not require a reference to such a change in accounting principles in the Auditors' Report when the change is properly accounted for and adequately disclosed in the financial statements.



PricewaterhouseCoopers LLP

Chartered Accountants

Calgary, Alberta

January 27, 2004

>> Summary of Significant Accounting Policies

Suncor Energy Inc. is an integrated Canadian energy company comprised of four operating segments: Oil Sands, Natural Gas, Energy Marketing and Refining – Canada, and Refining and Marketing – U.S.A.

Oil Sands includes the production of light sweet and light sour crude oil, diesel fuel and various custom blends from oil sands mined in the Athabasca region of northeastern Alberta, and the marketing of these products substantially in Canada and the United States.

Natural Gas includes the exploration, acquisition, development, production, transportation and marketing of natural gas and crude oil in Canada and the United States.

Energy Marketing and Refining – Canada includes the manufacture, transportation and marketing of petroleum and petrochemical products, primarily in Ontario and Quebec. Petrochemical products are also sold in the United States and Europe.

Refining and Marketing – U.S.A. includes the manufacture, transportation and marketing of petroleum products, primarily in Colorado.

The significant accounting policies of the company are summarized below:

(a) Principles of Consolidation and the Preparation of Financial Statements

These consolidated financial statements are prepared and reported in Canadian dollars in accordance with Canadian generally accepted accounting principles (GAAP), which differ in some respects from GAAP in the United States. These differences are quantified and explained in note 19.

The consolidated financial statements include the accounts of Suncor Energy Inc. and its subsidiaries and the company's proportionate share of the assets, liabilities, revenues, expenses and cash flows of its joint ventures.

The timely preparation of financial statements requires that management make estimates and assumptions, and use judgment regarding assets, liabilities, revenues and expenses. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, actual results may differ from estimated amounts as future confirming events occur.

(b) Cash Equivalents and Investments

Cash equivalents consist primarily of term deposits, certificates of deposit and all other highly liquid investments with a maturity at the time of purchase of three months or less. Investments with maturities greater than three months to one year are classified as short-term investments, while those with maturities in excess of one year are classified as long-term investments. Cash equivalents and short-term investments are stated at cost, which approximates market value.

(c) Revenues

Crude oil sales from upstream operations (Oil Sands and Natural Gas) to downstream operations (Energy Marketing and Refining – Canada and Refining and Marketing – U.S.A.) are based on actual product shipments. On consolidation, revenues and purchases related to these sales transactions are eliminated from operating revenues and purchases of crude oil and products.

The company also uses a portion of its natural gas production for internal consumption at its oil sands plant and Sarnia refinery. On consolidation, revenues from these sales are eliminated from operating revenues, crude oil and products purchases, and operating, selling and general expenses.

Revenues associated with sales of crude oil, natural gas, petroleum and petrochemical products and all other items not eliminated on consolidation are recorded when title passes to the customer and delivery has taken place. Revenues from oil and natural gas production from properties in which the company has an interest with other producers are recognized on the basis of the company's net working interest.

(d) Property, Plant and Equipment and Intangible Assets

Cost

Property, plant and equipment and intangible assets are recorded at cost.

Expenditures to acquire and develop Oil Sands mining properties are capitalized. Development costs to expand the capacity of existing mines or to develop mine areas substantially in advance of current production are also capitalized.

The company follows the successful efforts method of accounting for its conventional and in-situ oil sands crude oil and natural gas operations. Under the successful efforts method, acquisition costs of proved and unproved properties are capitalized. Costs of unproved properties are transferred to proved properties when proved reserves are confirmed.

Exploration costs, including geological and geophysical costs, are expensed as incurred. Exploratory drilling costs are initially capitalized. If it is determined that the well does not contain proved reserves, the capitalized exploratory drilling costs are charged to expense, as dry hole costs, at that time. Related land costs are expensed through the amortization of unproved properties as covered under the Natural Gas section of the depreciation, depletion and amortization policy below.

Development costs, which include the costs of wellhead equipment, development drilling costs, gas plants and handling facilities, applicable geological and geophysical costs and the costs of acquiring or constructing support facilities and equipment are capitalized. Costs incurred to operate and maintain wells and equipment and to lift oil and gas to the surface are expensed as operating costs.

Costs incurred at the inception of operations are expensed.

Interest Capitalization

Interest costs relating to major capital projects in progress and to the portion of non-producing oil and gas properties expected to become producing are capitalized as part of property, plant and equipment. Capitalization of interest ceases when the capital asset is substantially complete and ready for its intended productive use.

Leases

Leases that transfer substantially all the benefits and risks of ownership to the company are recorded as capital leases and classified as property, plant and equipment with offsetting long-term debt. All other leases are classified as operating leases under which leasing costs are expensed in the period incurred.

Gains and losses on the sale and leaseback of assets recorded as capital leases are deferred and amortized to earnings in proportion to the amortization of leased assets.

Depreciation, Depletion and Amortization

OIL SANDS Property, plant and equipment are depreciated over their useful lives on a straight-line basis, commencing when the assets are placed into service. Mine and mobile equipment is depreciated over periods ranging from three to 20 years and plant and other property and equipment, including leases in service, primarily over four to 40 years. Capitalized costs related to the in-progress phase of projects are not depreciated until the facilities are substantially complete and ready for their intended productive use.

NATURAL GAS Acquisition costs of unproved properties that are individually significant are evaluated for impairment by management. Impairment of unproved properties that are not individually significant is provided for through amortization over the average projected holding period for that portion of acquisition costs not expected to become producing. The average projected holding period of five years is based on historical experience.

Acquisition costs of proved properties are depleted using the unit of production method based on proved reserves. Capitalized exploratory drilling costs and development costs are depleted on the basis of proved developed reserves. For purposes of the depletion calculation, production and reserves volumes for oil and natural gas are converted to a common unit of measure on the basis of their approximate relative energy content. Gas plants, support facilities and equipment are depreciated on a straight-line basis over their useful lives, which average 12 years.

DOWNSTREAM OPERATIONS (INCLUDING ENERGY MARKETING AND REFINING – CANADA AND REFINING AND MARKETING – U.S.A.) Depreciation of property, plant and equipment is provided on a straight-line basis over the useful lives of assets. The Sarnia and Denver refineries and additions thereto are depreciated over an average of 30 years, service stations and related equipment over an average of 20 years and pipeline facilities and other equipment over three to 40 years. Intangible assets with determinable useful lives are amortized over a maximum period of four years. The amortization is included within depreciation expense in the Consolidated Statements of Earnings.

Reclamation and Environmental Remediation Costs

For the years ended December 31, 2003, reclamation and environmental remediation costs for identified downstream sites were estimated and charged against earnings when a regulatory or statutory requirement or contractual agreement existed, or when management made a decision to decommission or restore a site, providing that assessments indicated that such costs were probable and reasonably estimable.

Estimated reclamation costs in the company's upstream operations were accrued on the unit of production basis. Estimated environmental remediation costs, which were predominantly in the company's downstream operations, were accrued during the period for those sites where assessments indicated that such work was required.

Costs were accrued based on currently known information, estimated timing of remedial actions, and existing regulatory requirements and technology.

See the section "Recently Issued Canadian Accounting Standards" for further details on the adoption of a new accounting policy for Asset Retirement Obligations.

Impairment

Property, plant and equipment are reviewed for impairment whenever events or conditions indicate that their net carrying amount, less related provisions for reclamation and environmental remediation costs and future income taxes, may not be recoverable from estimated undiscounted future cash flows. If it is determined that the estimated net recoverable amount is less than the net carrying amount, a write-down to the estimated net recoverable amount is recognized during the period, with a charge to earnings.

Disposals

Gains or losses on disposals of non-oil and gas property, plant and equipment are recognized in earnings. For oil and gas property, plant and equipment, gains or losses are recognized in earnings for significant disposals or disposal of an entire property. However, the acquisition cost of an unproved property surrendered or abandoned that is not individually significant, or a partial abandonment of a proved property, is charged to accumulated depreciation, depletion or amortization.

(e) Deferred Charges and Other

Overburden removal may precede mining of the oil sands deposit by as much as two years. Accordingly, the company employs a deferral method of accounting for overburden removal costs where all such costs are initially recorded as a deferred charge (see note 4), rather than expensing overburden removal costs as incurred. These deferred charges are allocated to the mining activity in the year on a last-in, first-out (LIFO) basis using a life-of-mine approach for each mine pit whereby all of the overburden to be removed is related to all of the oil sands proven and probable ore reserves. This expense is reported as part of the depreciation, depletion and amortization expense in the Consolidated Statements of Earnings. Stripping ratios are regularly reviewed to reflect changes in operating experience and other factors.

The cost of major maintenance shutdowns is deferred and amortized on a straight-line basis over the period to the next shutdown, which varies from three to seven years. Normal maintenance and repair costs are charged to expense as incurred.

(f) Employee Future Benefits

The company's employee future benefit programs consist of defined benefit and defined contribution pension plans, as well as other post-retirement benefits.

The estimated future cost of providing defined benefit pension and other post-retirement benefits is actuarially determined using management's best estimates of demographic and financial assumptions, and such cost is accrued ratably from the date of hire of the employee to the date the employee becomes fully eligible to receive the benefits. The discount rate used to determine accrued benefit obligations is based on a year-end market rate of interest. Company contributions to the defined contribution plan are expensed as incurred.

(g) Inventories

Inventories of crude oil and refined products are valued at the lower of cost (using the LIFO method) and net realizable value.

Materials and supplies are valued at the lower of average cost and net realizable value.

(h) Derivative Financial Instruments

The company periodically enters into derivative financial instrument commodity contracts such as forwards, futures, swaps and options to hedge against the potential adverse impact of changing market prices due to changes in the underlying commodity indices. The company also periodically enters into derivative financial instrument contracts such as interest rate swaps as part of its risk management strategy to manage exposure to interest rate fluctuations.

These derivative contracts are initiated within the guidelines of the company's risk management policies, which require stringent authorities for approval and commitment of contracts, designation of the contracts by management as hedges of the related transactions, and monitoring of the effectiveness of such contracts in reducing the related risks. Contract maturities are consistent with the settlement dates of the related hedged transactions.

Derivative contracts accounted for as hedges are not recognized in the Consolidated Balance Sheets. Gains or losses on these contracts, including realized gains and losses on hedging derivative contracts settled prior to maturity, are recognized in earnings and cash flows when the related sales revenues, costs, interest expense and cash flows are recognized. Gains or losses resulting from changes in the fair value of derivative contracts that do not qualify for hedge accounting are recognized in earnings and cash flows when those changes occur.

Commencing in the fourth quarter of 2002, the company began to use energy derivatives, including physical and financial swaps, forwards and options to gain market information and to earn trading revenues. Trading activities are accounted for at fair value.

(i) Foreign Currency Translation

Monetary assets and liabilities in foreign currencies are translated to Canadian dollars at rates of exchange in effect at the end of the period. Other assets and related depreciation, depletion and amortization, other liabilities, revenues and expenses are translated at rates of exchange in effect at the respective transaction dates. The resulting exchange gains and losses are included in earnings.

The company's new Refining and Marketing – U.S.A. operations are classified as self-sustaining and are translated into Canadian dollars using the current rate method. Assets and liabilities are translated at the period end exchange rate, while revenues and expenses are translated using average exchange rates during the period. Translation gains or losses are included in cumulative foreign exchange adjustments in the Consolidated Statements of Changes in Shareholders' Equity.

(j) Stock-based Compensation Plans

Under the company's common share option programs (see note 12), common share options are granted to executives, employees and non-employee directors.

Compensation expense is recorded in the Consolidated Statements of Earnings for all common share options granted to employees and non-employee directors on or after January 1, 2003, with a corresponding increase recorded as contributed surplus in the Consolidated Statements of Changes in Shareholders' Equity. Compensation expense for options granted during 2003 and thereafter is determined based on the fair values at the time of grant, the cost of which is recognized in the Consolidated Statements of Earnings over the estimated vesting periods of the respective options. For common share options granted prior to January 1, 2003 ("pre-2003 options"), compensation expense is not recognized. The company continues to disclose the pro forma earnings impact of related stock-based compensation expense for pre-2003 options. Consideration paid to the company on exercise of options is credited to share capital.

Stock-based compensation awards that are to be settled in cash are measured using the fair value based method of accounting.

(k) Recently Issued Canadian Accounting Standards

Hedging Relationships

Canadian Accounting Guideline 13 (AcG 13) "Hedging Relationships" is applicable to the company's hedging relationships in 2004 and subsequent fiscal years. AcG 13 specifies the circumstances in which hedge accounting is appropriate, including the identification, documentation, designation and effectiveness of hedges, as well as the discontinuance of hedge accounting. The Guideline does not specify hedge accounting methods. The company believes its hedging documentation and tests of effectiveness are prepared in accordance with the provisions of AcG 13.

Asset Retirement Obligations

Effective January 1, 2004, the company will adopt the new Canadian standard "Asset Retirement Obligations" (ARO), which substantially harmonizes Canadian GAAP with U.S. GAAP (see note 19). This standard requires recognition of a liability for the future retirement obligations associated with the company's property, plant and equipment. The fair value of the asset retirement obligations are to be recorded on a discounted basis. This amount is to be capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the company settles the obligation. The impact of adopting this standard will be an increase to property, plant and equipment of \$211 million, an increase to future tax assets of \$110 million, an increase to accrued liabilities of \$318 million, an increase to future tax liabilities of \$73 million, and a decrease to retained earnings of \$70 million.

Variable Interest Entities

In 2003, Canadian Accounting Guideline 15 (AcG 15) "Consolidation of Variable Interest Entities (VIEs)" was issued. Effective January 1, 2005 AcG 15 requires consolidation of a VIE where the company will absorb a majority of a VIEs losses, receive a majority of its returns, or both. The company will be required to consolidate the VIE related to the sale of equipment as described in note 10(c). The company does not expect a significant impact on net earnings on consolidation of the equipment VIE. The impact on the balance sheet will be an increase to property, plant and equipment and an increase to long-term liabilities of approximately \$20 million. The VIE involving the sale of crude oil inventory terminates June 25, 2004, prior to the effective date of AcG 15. The accounts receivable securitization program, as currently structured, does not meet the AcG 15 criteria for consolidation by Suncor.

Liabilities and Equity

In 2003, the Canadian Accounting Standards Board approved an amendment to its Handbook Section 3860 "Financial Instruments – Disclosure and Presentation" requiring certain obligations that must or could be settled with an entity's own equity instruments to be presented as liabilities. The amendment, effective for the company's 2005 fiscal year, affects the company's current presentation of Preferred Securities as equity (see note 11). The reclassification of the Preferred Securities from equity to long-term debt is expected to reduce equity by \$485 million, increase long-term debt by \$486 million, and increase deferred charges by \$1 million.

Consolidated Statements of Earnings

for the years ended December 31 (\$ millions)

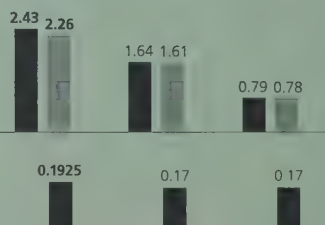
	2003	2002	2001
Revenues			
Operating revenues (notes 6, 16, 17 and 18)	6 171	4 883	4 204
Energy marketing and trading activities (note 6c)	129	147	85
Interest	6	2	5
	6 306	5 032	4 294
Expenses			
Purchases of crude oil and products	1 570	1 156	1 510
Operating, selling and general	1 507	1 292	1 012
Energy marketing and trading activities	132	142	85
Transportation and other costs (note 16)	133	128	95
Depreciation, depletion and amortization	611	585	360
Exploration (note 18)	51	26	22
Royalties	139	98	134
Taxes other than income taxes (note 18)	426	374	367
(Gain) on disposal of assets	(17)	(2)	(7)
(Gain) on sale of retail natural gas marketing business (note 18)	—	(38)	—
Project start-up costs	16	3	141
Write-off of oil shale assets	—	—	48
Restructuring	—	—	(2)
Financing expenses (income) (note 14)	(66)	124	16
	4 502	3 888	3 781
Earnings Before Income Taxes	1 804	1 144	513
Provision for income taxes (note 9)			
Current	38	74	4
Future	682	309	121
	720	383	125
Net Earnings	1 084	761	388
Dividends on Preferred Securities, net of tax (note 11)	(27)	(28)	(26)
Revaluation of US\$ Preferred Securities, net of tax	37	1	(11)
Net earnings attributable to common shareholders	1 094	734	351

Per Common Share (dollars) (note 13)

Net earnings attributable to common shareholders

■ basic
■ diluted

Cash dividends



See accompanying Summary of Significant Accounting Policies and Notes.

Consolidated Balance Sheets

as at December 31 (\$ millions)

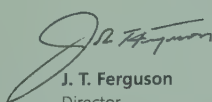
	2003	2002
Assets		
Current assets		
Cash and cash equivalents	388	15
Accounts receivable (notes 10c and 18)	505	403
Inventories (note 15)	371	266
Future income taxes (note 9)	28	38
Total current assets	1 292	722
Property, plant and equipment, net (note 3)	8 725	7 641
Deferred charges and other (note 4)	286	185
Future income taxes (note 9)	124	135
Total assets	10 427	8 683
Liabilities and Shareholders' Equity		
Current liabilities		
Short-term debt	31	—
Accounts payable and accrued liabilities (notes 7 and 8)	972	716
Income taxes payable	9	34
Taxes other than income taxes	49	37
Future income taxes (note 9)	14	10
Total current liabilities	1 075	797
Long-term debt (note 5)	2 448	2 686
Accrued liabilities and other (notes 7 and 8)	296	226
Future income taxes (note 9)	2 183	1 516
Total liabilities	6 002	5 225
Commitments and contingencies (note 10)		
Shareholders' equity		
Preferred Securities (note 11)	476	523
Share capital (note 12)	604	578
Contributed surplus (note 12)	7	—
Cumulative foreign currency translation	(26)	—
Retained earnings	3 364	2 357
Total shareholders' equity	4 425	3 458
Total liabilities and shareholders' equity	10 427	8 683

See accompanying Summary of Significant Accounting Policies and Notes.

Approved on behalf of the Board of Directors:



R. L. George
Director



J. T. Ferguson
Director

Consolidated Statements of Cash Flows

for the years ended December 31 (\$ millions)	2003	2002	2001
Operating Activities			
Cash flow from operations ^(a)	2 081	1 440	831
Decrease (increase) in operating working capital (net of effects of acquisition of Denver refinery and related assets)			
Accounts receivable	(105)	(97)	101
Inventories	(19)	(8)	(66)
Accounts payable and accrued liabilities	256	44	(37)
Taxes payable	5	77	(17)
Cash flow from operating activities	2 218	1 456	812
Cash Used in Investing Activities ^(a)	(1 702)	(861)	(1 680)
Net Cash Surplus (Deficiency) Before Financing Activities	516	595	(868)
Financing Activities			
Increase (decrease) in short-term debt	31	(31)	(33)
Proceeds from issuance of long-term debt	651	797	500
Net increase (decrease) in other long-term debt	(716)	(1 245)	486
Issuance of common shares under stock option plans	20	19	15
Dividends paid on Preferred Securities	(45)	(48)	(48)
Dividends paid on common shares	(81)	(73)	(72)
Cash flow from (used in) financing activities	(140)	(581)	848
Increase (Decrease) in Cash and Cash Equivalents	376	14	(20)
Effect of Foreign Exchange on Cash and Cash Equivalents	(3)	—	—
Cash and Cash Equivalents at Beginning of Year	15	1	21
Cash and Cash Equivalents at End of Year	388	15	1

(a) See Schedules of Segmented Data on pages 64 and 65.

See accompanying Summary of Significant Accounting Policies and Notes.

Consolidated Statements of Changes in Shareholders' Equity

for the years ended December 31 (\$ millions)	Preferred Securities	Share Capital	Contributed Surplus	Cumulative Foreign Currency Translation	Retained Earnings
At December 31, 2000	510	537	—	—	1 424
Net earnings	—	—	—	—	388
Dividends paid on Preferred Securities, net of tax	—	—	—	—	(26)
Dividends paid on common shares	—	—	—	—	(72)
Issued for cash under stock option plans	—	15	—	—	—
Issued under dividend reinvestment plan	—	3	—	—	(3)
Revaluation of US\$ Preferred Securities	15	—	—	—	(11)
At December 31, 2001	525	555	—	—	1 700
Net earnings	—	—	—	—	761
Dividends paid on Preferred Securities, net of tax	—	—	—	—	(28)
Dividends paid on common shares	—	—	—	—	(73)
Issued for cash under stock option plans	—	19	—	—	—
Issued under dividend reinvestment plan	—	4	—	—	(4)
Revaluation of US\$ Preferred Securities	(2)	—	—	—	1
At December 31, 2002	523	578	—	—	2 357
Net earnings	—	—	—	—	1 084
Dividends paid on Preferred Securities, net of tax	—	—	—	—	(27)
Dividends paid on common shares	—	—	—	—	(81)
Issued for cash under stock option plans	—	20	—	—	—
Issued under dividend reinvestment plan	—	6	—	—	(6)
Stock-based compensation expense	—	—	7	—	—
Foreign currency translation adjustment	—	—	—	(26)	—
Revaluation of US\$ Preferred Securities	(47)	—	—	—	37
At December 31, 2003	476	604	7	(26)	3 364

See accompanying Summary of Significant Accounting Policies and Notes.

Schedules of Segmented Data ^(a)

for the years ended December 31 (\$ millions)	Oil Sands			Natural Gas			Energy Marketing and Refining Canada		
	2003	2002	2001	2003	2002	2001	2003	2002	2001
EARNINGS									
Revenues ^(b)									
Operating revenues (note 16)	2 676	2 241	1 214	436	279	405	2 542	2 361	2 585
Energy marketing and trading activities	—	—	—	—	—	—	129	147	85
Intersegment revenues ^(c)	385	375	158	76	60	76	—	—	3
Interest	—	—	—	—	—	—	—	—	—
	3 061	2 616	1 372	512	339	481	2 671	2 508	2 673
Expenses									
Purchases of crude oil and products	12	7	14	—	16	9	1 679	1 564	1 721
Operating, selling and general Energy marketing and trading activities	890	806	481	77	69	64	359	352	350
Transportation and other costs (note 16)	101	104	72	24	24	23	3	—	—
Depreciation, depletion and amortization	451	450	233	91	75	70	59	58	56
Exploration	11	9	—	40	17	22	—	—	—
Royalties	33	33	30	106	65	104	—	—	—
Taxes other than income taxes	24	23	12	3	2	3	342	348	351
(Gain) loss on disposal of assets	(1)	2	1	(12)	(4)	(8)	(4)	—	—
(Gain) on sale of retail natural gas marketing business	—	—	—	—	—	—	—	(38)	—
Project start-up costs	10	3	141	—	—	—	—	—	—
Write-off of oil shale assets	—	—	—	—	—	—	—	—	—
Restructuring	—	—	—	—	—	(2)	—	—	—
Financing expenses (income)	—	—	—	—	—	—	—	—	—
	1 531	1 437	984	329	264	285	2 570	2 426	2 563
Earnings (loss) before income taxes									
	1 530	1 179	388	183	75	196	101	82	110
Provision for income taxes	(642)	(389)	(105)	(54)	(40)	(79)	(48)	(18)	(30)
Net earnings (loss)	888	790	283	129	35	117	53	64	80
As at December 31									
TOTAL ASSETS	7 762	6 896	6 409	784	765	722	1 079	968	934
CAPITAL EMPLOYED ^(d)	4 078	4 540	1 398	436	449	317	558	491	483

(a) Accounting policies for segments are the same as those described in the Summary of Significant Accounting Policies.

(b) There were no customers that represented 10% or more of the company's 2003 consolidated revenues (2002 – one customer represented 10% or more (\$641 million); 2001 – one customer represented 10% or more (\$450 million)).

(c) Intersegment revenues are recorded at prevailing fair market prices and accounted for as if the sales were to third parties.

(d) Capital Employed – the sum of shareholders' equity and short-term plus long-term debt less cash and cash equivalents, less capitalized costs related to major projects in progress (as applicable).

See accompanying Summary of Significant Accounting Policies and Notes.

Schedules of Segmented Data ^(a) (continued)

for the years ended December 31 (\$ millions)	Refining and Marketing			Corporate and Eliminations			Total		
	2003	U.S.A. 2002	2001	2003	2002	2001	2003	2002	2001
EARNINGS									
Revenues ^(b)									
Operating revenues (note 16)	515	—	—	2	2	—	6 171	4 883	4 204
Energy marketing and trading activities	—	—	—	—	—	—	129	147	85
Intersegment revenues ^(c)	—	—	—	(461)	(435)	(237)	—	—	—
Interest	—	—	—	6	2	5	6	2	5
	515	—	—	(453)	(431)	(232)	6 306	5 032	4 294
Expenses									
Purchases of crude oil and products	342	—	—	(463)	(431)	(234)	1 570	1 156	1 510
Operating, selling and general	68	—	—	113	65	117	1 507	1 292	1 012
Energy marketing and trading activities	—	—	—	—	—	—	132	142	85
Transportation and other costs (note 16)	5	—	—	—	—	—	133	128	95
Depreciation, depletion and amortization	6	—	—	4	2	1	611	585	360
Exploration	—	—	—	—	—	—	51	26	22
Royalties	—	—	—	—	—	—	139	98	134
Taxes other than income taxes	57	—	—	—	1	1	426	374	367
(Gain) loss on disposal of assets	—	—	—	—	—	—	(17)	(2)	(7)
(Gain) on sale of retail natural gas marketing business	—	—	—	—	—	—	—	(38)	—
Project start-up costs	6	—	—	—	—	—	16	3	141
Write-off of oil shale assets	—	—	—	—	—	48	—	—	48
Restructuring	—	—	—	—	—	—	—	—	(2)
Financing expenses (income)	—	—	—	(66)	124	16	(66)	124	16
	484	—	—	(412)	(239)	(51)	4 502	3 888	3 781
Earnings (loss) before									
income taxes	31	—	—	(41)	(192)	(181)	1 804	1 144	513
Provision for income taxes	(13)	—	—	37	64	89	(720)	(383)	(125)
Net earnings (loss)	18	—	—	(4)	(128)	(92)	1 084	761	388
As at December 31									
TOTAL ASSETS	438	—	—	364	54	29	10 427	8 683	8 094
CAPITAL EMPLOYED ^(d)	270	—	—	52	138	34	5 394	5 618	2 232

Schedules of Segmented Data ^(a) (continued)

	Oil Sands			Natural Gas			Energy Marketing and Refining Canada		
for the years ended December 31 (\$ millions)	2003	2002	2001	2003	2002	2001	2003	2002	2001
CASH FLOW BEFORE FINANCING ACTIVITIES									
Cash from (used in) operating activities:									
Cash flow from (used in) operations									
Net earnings (loss)	888	790	283	129	35	117	53	64	80
Exploration expenses									
Cash	—	—	—	8	6	12	—	—	—
Dry hole costs	—	—	—	32	11	10	—	—	—
Non-cash items included in earnings									
Depreciation, depletion and amortization	451	450	233	91	75	70	59	58	56
Future income taxes	628	379	89	52	37	76	20	(35)	18
Current income tax provision allocated to Corporate	14	10	16	2	3	3	28	53	12
(Gain) loss on disposal of assets	(1)	2	1	(12)	(4)	(8)	(4)	—	—
(Gain) on sale of retail natural gas marketing business	—	—	—	—	—	—	—	(38)	—
Write-off of oil shale assets	—	—	—	—	—	—	—	—	—
Restructuring	—	—	—	—	—	(3)	—	—	—
Stock-based compensation expense	—	—	—	—	—	—	—	—	—
Other	8	12	(4)	(2)	2	3	9	9	2
Overburden removal outlays	(175)	(160)	(31)	—	—	—	—	—	—
Overburden removal outlays – Project Millennium (start-up period)	—	—	(88)	—	—	—	—	—	—
Increase (decrease) in deferred credits and other	(10)	(8)	(13)	—	(1)	—	(1)	1	(3)
Total cash flow from (used in) operations	1 803	1 475	486	300	164	280	164	112	165
Decrease (increase) in operating working capital (net of effects of acquisition of Denver refinery and related assets)	51	(116)	(35)	9	22	44	—	(15)	17
Total cash from (used in) operating activities	1 854	1 359	451	309	186	324	164	97	182
Cash from (used in) investing activities:									
Capital and exploration expenditures	(948)	(617)	(1 479)	(183)	(163)	(132)	(122)	(60)	(54)
Acquisition of Denver refinery and related assets	—	—	—	—	—	—	—	—	—
Deferred maintenance shutdown expenditures	(100)	(9)	(5)	—	—	(2)	(17)	(18)	(9)
Deferred outlays and other investments	(10)	(4)	(2)	—	—	(1)	(2)	(18)	(9)
Proceeds from disposals	3	—	10	17	5	22	6	62	1
Total cash (used in) investing activities	(1 055)	(630)	(1 476)	(166)	(158)	(113)	(135)	(34)	(71)
Net cash surplus (deficiency) before financing activities	799	729	(1 025)	143	28	211	29	63	111

(a) Accounting policies for segments are the same as those described in the Summary of Significant Accounting Policies.

See accompanying Summary of Significant Accounting Policies and Notes.

Schedules of Segmented Data ^(a) (continued)

	Refining and Marketing U.S.A.			Corporate and Eliminations			Total		
for the years ended December 31 (\$ millions)	2003	2002	2001	2003	2002	2001	2003	2002	2001
CASH FLOW BEFORE									
FINANCING ACTIVITIES									
Cash from (used in)									
operating activities:									
Cash flow from (used in) operations									
Net earnings (loss)	18	—	—	(4)	(128)	(92)	1 084	761	388
Exploration expenses									
Cash	—	—	—	—	—	—	8	6	12
Dry hole costs	—	—	—	—	—	—	32	11	10
Non-cash items included									
in earnings									
Depreciation, depletion									
and amortization	6	—	—	4	2	1	611	585	360
Future income taxes	1	—	—	(19)	(72)	(62)	682	309	121
Current income tax provision									
allocated to Corporate	12	—	—	(56)	(66)	(31)	—	—	—
(Gain) loss on disposal of assets	—	—	—	—	—	—	(17)	(2)	(7)
(Gain) on sale of retail natural									
gas marketing business	—	—	—	—	—	—	—	(38)	—
Write-off of oil shale assets	—	—	—	—	—	48	—	—	48
Restructuring	—	—	—	—	—	—	—	—	(3)
Stock-based compensation expense	—	—	—	7	—	—	7	—	—
Other	(2)	—	—	(163)	(3)	7	(150)	20	8
Overburden removal outlays	—	—	—	—	—	—	(175)	(160)	(31)
Overburden removal outlays –									
Project Millennium (start-up period)	—	—	—	—	—	—	—	—	(88)
Increase (decrease) in deferred									
credits and other	(1)	—	—	11	(44)	29	(1)	(52)	13
Total cash flow from									
(used in) operations	34	—	—	(220)	(311)	(100)	2 081	1 440	831
Decrease (increase) in operating									
working capital (net of effects									
of acquisition of Denver									
refinery and related assets)	46	—	—	31	125	(45)	137	16	(19)
Total cash from (used in)									
operating activities	80	—	—	(189)	(186)	(145)	2 218	1 456	812
Cash from (used in)									
investing activities:									
Capital and exploration									
expenditures	(31)	—	—	(32)	(37)	(13)	(1 316)	(877)	(1 678)
Acquisition of Denver refinery									
and related assets	(272)	—	—	—	—	—	(272)	—	—
Deferred maintenance									
shutdown expenditures	—	—	—	—	—	—	(117)	(27)	(16)
Deferred outlays and									
other investments	3	—	—	(14)	(2)	(7)	(23)	(24)	(19)
Proceeds from disposals	—	—	—	—	—	—	26	67	33
Total cash (used in)									
investing activities	(300)	—	—	(46)	(39)	(20)	(1 702)	(861)	(1 680)
Net cash surplus (deficiency)									
before financing activities	(220)	—	—	(235)	(225)	(165)	516	595	(868)

1. CHANGE IN ACCOUNTING POLICY

During the year, the company adopted a new accounting policy for stock-based compensation related to common share options. Pursuant to new transitional rules approved by the Canadian Institute of Chartered Accountants, the company now records stock-based compensation expense in the company's Consolidated Statements of Earnings for all common share options granted to employees and non-employee directors on or after January 1, 2003 ("2003 options"), with a corresponding increase recorded as contributed surplus in the Consolidated Statements of Changes in Shareholders' Equity. Pro forma compensation-related earnings impacts of pre-2003 options are determined in the same manner as 2003 options. (See note 12)

This change in accounting policy has increased operating, selling and general expenses and contributed surplus by \$7 million for the year ended December 31, 2003. The disclosures relating to pro forma earnings impacts for these periods have been adjusted by a corresponding amount.

2. ACQUISITION OF REFINERY AND RELATED ASSETS

On August 1, 2003, the company acquired a Denver refinery, 43 retail stations and associated storage, pipeline and distribution facilities, and inventory from ConocoPhillips for cash consideration of \$272 million. The purchase price was determined through a competitive bid process. The results of operations for these assets have been included in the consolidated financial statements from the date of acquisition.

The acquisition was accounted for by the purchase method of accounting. The allocation of fair value to the assets acquired and liabilities assumed was:

(\$ millions)

Property, plant and equipment, and intangible assets	242
Inventory	88
Other assets	9
Total assets acquired	339
Liabilities assumed	(67)
Net assets acquired	272

Suncor recorded an environmental liability of \$9 million at the acquisition date for the estimated costs of environmental clean-up work currently under way. A \$9 million receivable was also recorded as ConocoPhillips agreed to indemnify Suncor for these costs. The recorded liability is part of an agreement between Suncor and ConocoPhillips whereby Suncor will be indemnified for any reclamation work identified prior to closing for a period up to 10 years from acquisition date, and up to \$30 million. Additional costs ordered by a governmental agency are subject to indemnification from ConocoPhillips on a rolling 10-year limitation period from the date the contamination is discovered by Suncor. There is no time or dollar limit for any third party claims against Suncor for which ConocoPhillips is liable.

Additionally, a \$39 million liability was recorded at acquisition for environmental work required pursuant to a consent decree between ConocoPhillips, the Colorado Department of Public Health and the Environment and the United States Environmental Protection Agency.

For segmented reporting purposes, the results of the new Denver-based operations since the date of acquisition are reported in a new operating segment (Refining and Marketing – U.S.A.) in the accompanying Schedules of Segmented Data.

3. PROPERTY, PLANT AND EQUIPMENT

(\$ millions)	2003		2002	
	Cost	Accumulated Provision	Cost	Accumulated Provision
Oil Sands				
Plant	5 424	828	5 340	691
Mine and mobile equipment	1 267	426	1 154	381
Pipeline	100	46	81	26
Capital leases	130	18	121	12
Major projects in progress	1 396	—	702	—
	8 317	1 318	7 398	1 110
Natural Gas				
Proved properties	1 206	552	1 074	480
Unproved properties	114	38	129	41
Pipeline	—	—	20	18
Other support facilities and equipment	18	12	16	11
	1 338	602	1 239	550
Energy Marketing and Refining – Canada				
Refinery	874	443	800	417
Marketing	494	239	461	229
	1 368	682	1 261	646
Refining and Marketing – U.S.A.				
Refinery and intangible assets	165	2	—	—
Marketing	39	1	—	—
Pipeline	27	—	—	—
	231	3	—	—
Corporate	86	10	55	6
	11 340	2 615	9 953	2 312
Net property, plant and equipment		8 725		7 641

4. DEFERRED CHARGES AND OTHER

(\$ millions)	2003	2002
Oil Sands overburden removal costs (see below)	51	68
Deferred maintenance shutdown costs	137	44
Other	98	73
Total deferred charges and other	286	185
Oil Sands overburden removal costs		
Balance – beginning of year	68	101
Outlays during the year	175	160
Depreciation on equipment during year	16	9
	259	270
Amortization during year	(208)	(202)
Balance – end of year	51	68

5. LONG-TERM DEBT

(\$ millions)	2003	2002
Fixed-term debt, redeemable at the option of the company		
5.95% Notes, denominated in U.S. dollars, due in 2034 ^(a)	646	—
7.15% Notes, denominated in U.S. dollars, due in 2032 ^(a)	646	790
6.70% Series 2 Medium Term Notes, due in 2011 ^(b)	500	500
6.80% Medium Term Notes, due in 2007 ^(b)	250	250
6.10% Medium Term Notes, due in 2007 ^(b)	150	150
7.40% Debentures, Series C, due in 2004	125	125
	2 317	1 815
Revolving-term debt, with interest at variable rates (see Credit Facilities)		
Commercial Paper (interest at December 31, 2002 – 2.9%) ^(c)	—	548
Bank debt (interest at December 31, 2002 – 3.5%)	—	199
Total unsecured long-term debt	2 317	2 562
Secured long-term debt with interest rates averaging 5.6% (2002 – 6.1%)	4	5
Capital leases ^{(d), (e)}	127	119
Total long-term debt	2 448	2 686

(a) In 2003, the company issued 5.95% Notes with a principal amount of \$US500 million (Cdn\$ equivalent of \$651 million). In 2002, the company issued 7.15% Notes with a principal amount of \$US500 million (Cdn\$ equivalent of \$797 million).

(b) The company has entered into various interest rate swap transactions at December 31, 2003. The swap transactions result in an average effective interest rate that is different from the stated interest rate of the related underlying long-term debt instruments.

Description of Swap Transaction	Principal Swapped (\$ millions)	Swap Maturity	2003 Effective Interest Rate
Swap of 6.10% Medium Term Notes to floating rates	150	2007	4.3%
Swap of 6.80% Medium Term Notes to floating rates	250	2007	4.9%
Swap of 6.70% Medium Term Notes to floating rates	200	2011	4.2%

(c) The company is also authorized to issue commercial paper to a maximum of \$900 million having a term not to exceed 364 days. Commercial paper is supported by unutilized credit and term loan facilities.

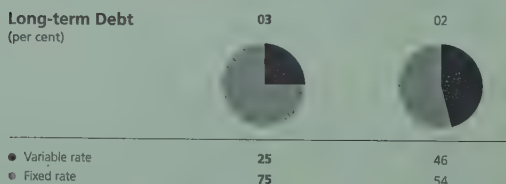
(d) Obligations under capital leases are as follows:

(\$ millions)	2003	2002
Energy services assets lease with interest at 6.82%, maturing in 2004	101	101
Other equipment leases with interest rates between prime plus 0.5% and 12.4% and maturity dates ranging from 2008 to 2029	26	18
	127	119

(e) Future minimum amounts payable under capital leases and other long-term debt are as follows:

(\$ millions)	Capital Leases	Other Long-term debt
2004	117	125
2005	3	1
2006	3	—
2007	3	400
2008	3	—
Later years	28	1 795
Total minimum payments	157	2 321
Less amount representing imputed interest	30	—
Present value of obligation under capital leases	127	—

Long-term Debt (per cent)



Credit Facilities

At December 31, 2003, the company had available credit and term loan facilities of \$1,730 million, of which \$1,577 million was undrawn, as follows:

(\$ millions)

Facility that is fully revolving for 364 days, has a term period of one year and expires in 2005	750
Facility that is fully revolving for a period of three years and expires in 2006	750
Facility that is fully revolving for 364 days, has a term period of one year and expires in 2005	200
Facilities that can be terminated at any time at the option of the lenders	30
Total available credit facilities	1 730
Drawn from credit facilities	31
Credit facilities supporting outstanding commercial paper and standby letters of credit	122
Total undrawn credit facilities	1 577

At December 31, 2003, the company had issued \$122 million in letters of credit to various third parties.

6. FINANCIAL INSTRUMENTS

Derivatives are financial instruments that either imitate or counter the price movements of stocks, bonds, currencies, commodities, and interest rates. Suncor uses derivatives to reduce (hedge) its exposure to fluctuations in commodity prices and foreign currency exchange rates and to manage interest or currency-sensitive assets and liabilities. Suncor also uses derivatives for trading purposes. When used in a trading activity, the company is attempting to realize a gain on the fluctuations in the market value of the derivative.

Forwards and futures are contracts to purchase or sell a specific item at a specified date and price. When used as hedges, forwards and futures manage the exposure to losses that could result if commodity prices or foreign currency exchange rates change adversely.

An option is a contract where its owner, for a fee, has purchased the right (but not the obligation) to buy or sell a specified item at a fixed price during a specified period. Options used as hedges can protect against adverse changes in commodity prices, interest rates, or foreign currency exchange rates.

A costless collar is a combination of two option contracts that limits the holder's exposure to changes in prices to within a specific range. The "costless" nature of this derivative is achieved by buying a put option (the right to sell) for consideration equal to the premium received from selling a call option (the right to purchase).

A swap is a contract where two parties exchange commodity, currency, interest or other payments in order to alter the nature of the payments. For example, fixed interest rate payments on debt may be converted to payments based on a floating interest rate, or vice versa; a domestic currency debt may be converted to a foreign currency debt.

See below for more technical details and amounts.

(a) Balance Sheet Financial Instruments

The company's financial instruments recognized in the Consolidated Balance Sheets consist of cash and cash equivalents, accounts receivable, derivative contracts not accounted for as hedges, substantially all current liabilities (except for the current portions of income taxes payable, future income taxes and reclamation and environmental remediation costs), and long-term debt.

The estimated fair values of recognized financial instruments have been determined based on the company's assessment of available market information and appropriate valuation methodologies; however, these estimates may not necessarily be indicative of the amounts that could be realized or settled in a current market transaction.

The following table summarizes estimated fair value information about the company's financial instruments recognized in the Consolidated Balance Sheets at December 31:

(\$ millions)	2003		2002	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	388	388	15	15
Accounts receivable	505	505	403	403
Derivatives receivable	49	49	22	22
Derivatives payable	19	19	—	—
Current liabilities	978	978	705	705
Investments in Southern Pacific Petroleum	—	—	1	1
Long-term debt				
Fixed term	2 317	2 502	1 815	1 991
Revolving term	—	—	747	747
Other	4	4	5	5
Capital leases	127	127	119	119

The fair values of the company's fixed and revolving-term long-term debt, capital leases, and other long-term debt were determined through comparisons to similar debt instruments.

(b) Unrecognized Derivative Financial Instruments

The company is also a party to certain derivative financial instruments, which are not recognized in the Consolidated Balance Sheets, as follows:

Revenue and Margin Hedges

Suncor operates in a global industry where the market price of its petroleum and natural gas products is determined based on floating benchmark indices denominated in U.S. dollars. The company periodically enters into derivative financial instrument contracts such as forwards, futures, swaps and options to hedge against the potential adverse impact of changing market prices due to changes in the underlying indices. Specifically, the company manages crude price variability by entering into U.S. dollar West Texas Intermediate (WTI) derivative transactions and has historically, in certain instances, combined U.S. dollar WTI derivative transactions and Canadian/U.S. foreign exchange derivative contracts. As at December 31, 2003, the company had hedged a portion of its forecasted Canadian dollar denominated cash flows subject to U.S. dollar WTI commodity price risk for up to two years. The company had not hedged any portion of the foreign exchange component of these forecasted cash flows.

The financial instrument contracts do not require the payment of premiums or cash margin deposits prior to settlement. On settlement, these contracts result in cash receipts or payments by the company for the difference between the contract and market rates for the applicable dollars and volumes hedged during the contract term. Such cash receipts or payments offset corresponding decreases or increases in the company's sales revenues or crude oil purchase costs. For accounting purposes, amounts received or paid on settlement are recorded as part of the related hedged sales or purchase transactions.

Contracts outstanding at December 31 were as follows:

	Quantity (bbl/day)	Average Price ^(a)	Revenue Hedged (\$ millions)	Hedge Period
Crude Oil Hedges				
As at December 31, 2003				
Crude oil swaps	68 000	24	772 ^(c)	2004
Costless collars	11 000	21 – 24	109 – 125 ^(c)	2004
Crude oil swaps	36 000	23	390 ^(c)	2005
As at December 31, 2002				
Crude oil swaps	10 000	30	57 ^(c)	2003 ^(b)
Crude oil swaps	15 000	24	208 ^(c)	2003
Costless collars	60 000	21 – 26	726 – 899 ^(c)	2003
Crude oil swaps	25 000	23	332 ^(c)	2004
Costless collars	11 000	21 – 24	133 – 152 ^(c)	2004
Crude oil swaps	21 000	22	266 ^(c)	2005
As at December 31, 2001				
Crude oil swaps	40 576	20	444 ^(d)	2002
Crude oil swaps	424	21	5 ^(c)	2002
Costless collars	43 000	22 – 27	550 – 675 ^(c)	2002
Costless collars	44 000	21 – 26	537 – 665 ^(c)	2003
Costless collars	11 000	21 – 24	134 – 153 ^(c)	2004
Crude oil swaps	15 000	22	192 ^(c)	2005
Margin Hedges				
	Quantity (bbl/day)	Average Margin US\$/bbl	Margin Hedged	Hedge Period
Refined product sale and crude purchase swaps				
As at December 31, 2003	6 600	5	3 ^(c)	2004 ^(e)
As at December 31, 2002	20 700	5	9 ^(c)	2003 ^(f)
As at December 31, 2001	—	—	—	—
Natural Gas Hedges				
	Quantity (GJ/day)	Average Price Cdn\$/GJ	Revenue Hedged	Hedge Period
Swaps and costless collars				
As at December 31, 2003	30 000	6	16	2004 ^(g)
As at December 31, 2002	25 000	4 – 6	9 – 14	2003 ^(h)
As at December 31, 2001	—	—	—	—

(a) Average price for crude oil swaps is US\$ WTI per barrel at Cushing, Oklahoma.

(b) For the period January to April 2003, inclusive. All other crude oil positions are for the full year.

(c) The revenue and margin hedged is translated to Cdn\$ at the year-end exchange rate for convenience purposes.

(d) The revenue hedged was fixed in Cdn\$ as the company had foreign exchange swaps in place for these crude oil swaps.

(e) For the period January and February 2004.

(f) For the period January and February 2003.

(g) For the period January to March 2004.

(h) For the period January to March 2003.

Interest Rate Hedges

The company periodically enters into interest rate and cross-currency interest rate swap contracts as part of its risk management strategy to manage its exposure to interest rates. The interest rate swap contracts involve an exchange of floating rate and fixed rate interest payments between the company and investment grade counterparties. The cross-currency swap contracts involve an exchange of Canadian dollar interest payments and U.S. dollar interest payments, and an exchange of Canadian and U.S. dollar principal amounts at the maturity date of the underlying borrowing to which the swaps relate. The differentials on the exchange of periodic interest payments are recognized in the accounts as an adjustment to interest expense.

The notional amounts of interest rate swap contracts outstanding at December 31, 2003 are detailed in note 5, Long-term Debt.

Fair Value of Derivative Financial Instruments

The fair value of hedging derivative financial instruments is the estimated amount, based on third party market data that the company would receive (pay) to terminate the contracts. Such amounts, which also represent the unrecognized and unrecorded gain (loss) on the contracts, were as follows at December 31:

(\$ millions)	2003	2002
Revenue hedge swaps and collars	(285)	(133)
Margin hedge swaps	2	1
Interest rate and cross-currency interest rate swaps	32	35
	(251)	(97)

(c) Energy Marketing and Trading Activities

In November 2002, Suncor commenced energy trading activities. In addition to those financial derivatives used for hedging activities, the company also uses energy derivatives, including physical and financial swaps, forwards and options to gain market information and earn trading revenues. These energy trading activities are accounted for using the mark-to-market method and as such physical and financial energy contracts are recorded at fair value at each balance sheet date. For the year ended December 31, 2003 a net pretax loss of \$3 million (2002 – \$nil) from the settlement and revaluation of these contracts was reported as energy trading and marketing activities in the Consolidated Statements of Earnings.

The fair value of unsettled energy trading assets and liabilities at December 31 are as follows:

(\$ millions)	2003	2002
Energy trading assets	5	2
Energy trading liabilities	5	2

The source of the valuations of the above contracts is based on actively quoted prices.

(d) Counterparty Credit Risk

The company may be exposed to certain losses in the event that counterparties to the derivative financial instruments are unable to meet the terms of the contracts. The company's exposure is limited to those counterparties holding derivative contracts with positive fair values at the reporting date. The company minimizes this risk by only entering into agreements with investment grade counterparties, and through regular management review of potential exposure to, and credit ratings of, such counterparties. At December 31, the company had exposure to credit risk with counterparties as follows:

(\$ millions)	2003	2002
Derivative contracts not accounted for as hedges	30	28
Unrecognized derivative contracts	27	23
	57	51

7. ACCRUED LIABILITIES AND OTHER

(\$ millions)	03	02
Reclamation and environmental remediation costs (a)	77	57
Employee future benefits (see note 8)	181	141
Other (b)	38	28
Total	296	226

(a) Reclamation and Environmental Remediation Costs

Total accrued reclamation and environmental remediation costs also include \$60 million in current liabilities (2002 – \$32 million). Payments during 2003 totalled \$27 million (2002 – \$15 million; 2001 – \$28 million), while expense recorded in 2003 was \$31 million (2002 – \$20 million; 2001 – \$15 million). Reclamation expense in 2003 was based on estimated total costs of \$950 million (2002 – \$650 million).

(b) Employee and Director Incentive Plans

Included in accrued liabilities and other is accrued compensation expense related to the company's employee long-term incentive plans (see note 12b). Accrued liabilities and other also include accrued compensation expense in the form of deferred share units received under the directors' compensation plan. Accrued directors' compensation expense is not significant.

8. EMPLOYEE FUTURE BENEFITS LIABILITY

*Suncor employees are eligible to receive certain pension, health care and insurance benefits when they retire. The related **Benefit Obligation** or commitment that Suncor has to employees and retirees at December 31, 2003 was \$685 million.*

*As required by government regulations and plan performance, Suncor sets aside funds, with an independent trustee, to meet certain of these obligations. At the end of December 2003, **Plan Assets** to meet the **Benefit Obligation** were \$336 million.*

*The excess of the **Benefit Obligation** over **Plan Assets** of \$349 million represents the **Net Unfunded Obligation**.*

See below for more technical details and amounts.

Defined Benefit Pension Plans and Other Post-retirement Benefits

The company's defined benefit pension plans provide non-indexed pension benefits at retirement based on years of service and final average earnings. These obligations are met through funded registered retirement plans and through unfunded, unregistered supplementary benefits that are paid directly to recipients. Company contributions to the funded plans are deposited with independent trustees who act as custodians of the funded pension plans' assets, as well as the disbursing agents of the benefits to recipients. Plan assets are managed by a pension committee on behalf of beneficiaries. The committee retains independent managers and advisors.

Funding of the registered retirement plans complies with applicable regulations that require actuarial valuations of the pension funds at least once every three years in Canada and every year in the United States.

The company's other post-retirement benefits programs, which are unfunded, include certain health care and life insurance benefits provided to retired employees and eligible surviving dependants. Retirees share in the cost of providing these benefits.

The expense and obligations for both funded and unfunded benefits are determined in accordance with Canadian generally accepted accounting principles and actuarial principles. Obligations are based on the projected benefit method of valuation that includes employee service to date and present pay levels, as well as a projection of salaries and service to retirement.

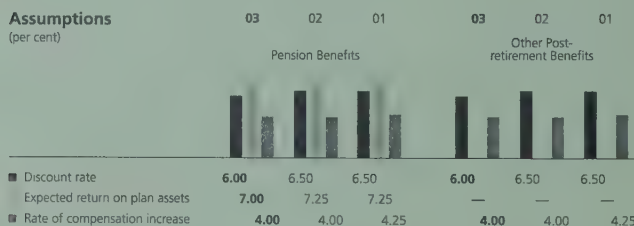
In 2003, in connection with the acquisition of the Denver refinery and related assets from ConocoPhillips (see note 2), the company assumed a pension benefit obligation of \$14 million and other post-retirement benefit obligations of \$6 million. No pension plan assets were acquired.

Obligations and Funded Status

The following table presents information about obligations recognized in the Consolidated Balance Sheets and the funded status of the plans at December 31:

(\$ millions)	Pension Benefits		Other Post-retirement Benefits	
	2003	2002	2003	2002
Change in benefit obligation				
Benefit obligation at beginning of year	489	461	97	93
Service costs	18	17	3	4
Interest costs	32	30	6	6
Plan participants' contributions	3	4	—	—
Acquisition	14	—	6	—
Foreign exchange	(1)	—	—	—
Amendments	—	—	—	(34)
Actuarial (gain) loss	37	(1)	8	30
Benefits paid	(24)	(22)	(3)	(2)
Benefit obligation at end of year ^{(a), (e)}	568	489	117	97
Change in plan assets ^(b)				
Fair value of plan assets at beginning of year	273	301	—	—
Actual return (loss) on plan assets	45	(24)	—	—
Employer contributions	36	14	—	—
Plan participants' contributions	3	4	—	—
Benefits paid	(21)	(22)	—	—
Fair value of plan assets at end of year ^(e)	336	273	—	—
Net unfunded obligation	(232)	(216)	(117)	(97)
Items not yet recognized in earnings:				
Unamortized net actuarial loss ^(c)	133	142	50	46
Unamortized past service costs ^(d)	—	—	(31)	(34)
Accrued Benefit Liability	(99)	(74)	(98)	(85)

(a) Obligations are based on the following assumptions:



A 1% change in the assumptions at which pension benefits and other post-retirement benefits liabilities could be effectively settled is as follows:

(\$ millions)	Rate of Return on Plan Assets		Discount Rate		Rate of Compensation Increase	
	1% increase	1% decrease	1% increase	1% decrease	1% increase	1% decrease
Increase (decrease) to net periodic benefit cost	(3)	3	(8)	10	4	(3)
Increase (decrease) to benefit obligation	—	—	(83)	95	24	(22)

In order to measure the expected cost of other post-retirement benefits, a 12% annual rate of increase in the per capita cost of covered health care benefits was assumed for 2003. It is assumed that this rate will decrease by 0.5% annually, to 5% for 2017, and remain at that level thereafter.

Assumed health care cost trend rates have a significant effect on the amounts reported for other post-retirement benefit obligations. A one percent change in assumed health care cost trend rates would have the following effects:

(\$ millions)	1% increase	1% decrease
Increase (decrease) to total of service and interest cost components of net periodic post-retirement health care benefit cost	1	(1)
Increase (decrease) to the health care component of the accumulated post-retirement benefit obligation	12	(10)

(b) Pension plan assets are not the company's assets and therefore are not included in the Consolidated Balance Sheets.

(c) The unamortized net actuarial loss represents annually calculated differences between actual and projected plan performance. These amounts are amortized as part of the net periodic benefit cost over the expected average remaining service life of employees of 12 years for pension benefits (2002 and 2001 – 13 years), and over the expected average future service life to full eligibility age of 12 years for other post-retirement benefits (2002 – 12 years; 2001 – 11 years).

(d) Effective April 1, 2003, the company implemented amendments to its post-retirement benefits program to manage its exposures to future health care and life insurance costs. Certain of the company's employees will continue to receive post-retirement benefits under the old plan provisions. These plan amendments reduced the company's other post-retirement benefits obligation at December 31, 2002, by \$34 million.

(e) The company uses a measurement date of December 31 to value the plan assets and accrued benefit obligation.

The above benefit obligation at year-end includes funded and unfunded plans, as follows:

(\$ millions)	Pension benefits		Other Post-retirement Benefits	
	2003	2002	2003	2002
Funded plan	498	423	—	—
Unfunded plans	70	66	117	97
Benefit obligation at end of year	568	489	117	97

Components of Net Periodic Benefit Cost

(\$ millions)	Pension Benefits			Other Post-retirement Benefits		
	2003	2002	2001	2003	2002	2001
Current service costs	18	17	14	3	4	3
Interest costs	32	30	28	6	6	6
Expected return on plan assets (a)	(20)	(22)	(23)	—	—	—
Amortization of transitional asset	—	—	(8)	—	—	—
Amortization of net actuarial loss	22	15	9	1	2	1
Net periodic benefit cost	52	40	20	10	12	10

(a) The expected return on plan assets is the expected long-term rate of return on plan assets for the year based on plan assets at the beginning of the year that have been adjusted on a weighted average basis for contributions and benefit payments expected for the year. The expected return on plan assets is included in the net periodic benefit cost for the year to which it relates, while the difference between it and the actual return realized on plan assets in the same year is amortized over the expected average remaining service life of employees of 12 years for pension benefits, and over the expected average future service life to full eligibility age of 10 years for post-retirement benefits.

To estimate the expected long-term rate of return on plan assets, the company considered the current level of expected returns on the fixed income portion of the portfolio, the historical level of the risk premium associated with other asset classes in which the portfolio is invested and the expectation for future returns on each asset class. The expected return for each asset class was weighted based on the policy asset mix to develop an expected long-term rate of return on asset assumption for the portfolio.

Plan Assets and Investment Objectives

Suncor's long-term investment objective is to secure the defined pension benefits while managing the variability and level of the company's contributions. The portfolio is rebalanced periodically as required, while ensuring that the maximum equity content is 65% at any time. Plan assets are managed by external managers, who report to a pension committee, and are restricted to those permitted by applicable legislation. Investments are made through pooled, mutual or segregated funds.

The company's pension plan asset allocation based on market values as at December 31, 2003 and 2002, and the target allocation for 2004 is as follows:

Asset Category	Target Allocation %	Percentage of Plan Assets	
	2004	2003	2002
Canadian equities	20	20	20
U.S. equities	22	22	22
International equities	18	19	18
Canadian fixed income	40	39	40
Total	100	100	100

Equity securities do not include any direct investments in Suncor shares.

Cash Flows

The company expects that contributions to its pension plans in 2004 will be \$50 million. Expected contributions for other post-retirement benefits in 2004 are \$3 million.

Defined Contribution Pension Plan

The company has a Canadian defined contribution plan and a U.S. 401(k) savings plan, under which both the company and employees make contributions. Company contributions and corresponding expense totalled \$6 million in 2003 (2002 – \$5 million; 2001 – \$4 million).

9. INCOME TAXES

*The assets and liabilities shown on Suncor's balance sheets are calculated in accordance with Canadian generally accepted accounting principles. Suncor's income taxes are calculated according to government tax laws and regulations, which results in different values for certain assets and liabilities for income tax purposes. These differences are known as **temporary differences**, because eventually these differences will reverse.*

*The amount shown on the balance sheets as **future income taxes** represent income taxes that will eventually be payable or recoverable in future years when these temporary differences reverse.*

See below for more technical details and amounts.

The provision for income taxes reflects an effective tax rate that differs from the statutory tax rate. A reconciliation of the two rates and the dollar effect is as follows:

(\$ millions)	2003		2002		2001	
	Amount	%	Amount	%	Amount	%
Federal tax rate	667	37	435	38	195	38
Provincial abatement	(180)	(10)	(114)	(10)	(51)	(10)
Federal surtax	20	1	13	1	6	1
Provincial tax rates	226	13	150	13	69	14
Statutory tax and rate	733	41	484	42	219	43
Adjustment of statutory rate for future rate reductions	(100)	(6)	—	—	—	—
	633	35	484	42	219	43
Add (deduct) the tax effect of:						
Crown royalties	50	3	39	3	48	9
Resource allowance	(31)	(2)	(34)	(3)	(28)	(5)
Temporary difference in resource allowance	—	—	(120)	(10)	(49)	(10)
Large corporations tax	19	1	17	1	16	3
Tax rate changes on opening future income taxes	89	5	(10)	(1)	(52)	(11)
Attributed Canadian royalty income	(8)	—	(2)	—	(6)	(1)
Non-deductible foreign expenses	—	—	—	—	(17)	(3)
Assessments and adjustments	—	—	10	1	(11)	(2)
Capital gains	(34)	(2)	—	—	—	—
Other	2	—	(1)	—	5	1
Income taxes and effective rate	720	40	383	33	125	24

In 2003 net income tax payments totalled \$45 million (2002 – \$8 million refund; 2001 – \$23 million payment).

The resource allowance is a federal tax deduction allowed as a proxy for non-deductible provincial Crown royalties. As required by generally accepted accounting principles in Canada, resource allowance is accounted for by adjusting the statutory tax rate by the resource allowance rate.

Effective January 1, 2003, the Canadian government enacted changes to the federal taxation policies relating to the resource sector. The changes are to be phased in over the next five years and include a 7% reduction of the federal tax rate, deductibility of provincial Crown royalties and the elimination of the federal resource allowance deduction. For 2003, a 1% federal rate reduction was effected.

Effective April 1, 2003, the Alberta provincial corporate rate decreased by 0.5%. The Ontario general corporate tax rate and manufacturing and processing tax rate were increased by 1.5% and 1% respectively, effective January 1, 2004.

Accordingly, the company revalued its future income tax liabilities and recognized an increase in future income tax expense of \$100 million (including \$89 million related to the revaluation of opening future income tax liabilities).

At December 31, future income taxes were comprised of the following:

(\$ millions)	2003		2002	
	Current	Non-current	Current	Non-current
Future income tax assets:				
Employee future benefits	4	57	4	48
Reclamation and environmental remediation costs	9	7	16	28
Alberta royalties	—	47	—	43
Employee incentive plans	—	13	—	16
Inventories	15	—	18	—
	28	124	38	135
Future income tax liabilities:				
Depreciation	—	2 095	—	1 473
Overburden removal costs	—	16	—	20
Maintenance shutdown costs	—	41	—	15
Inventories	1	—	—	—
Other	13	31	10	8
	14	2 183	10	1 516

10. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Operating Commitments

In order to ensure continued availability of, and access to, facilities and services to meet its operational requirements, the company periodically enters into transportation service agreements for pipeline capacity and energy services agreements as well as non-cancellable operating leases for service stations, office space and other property and equipment. Under contracts existing at December 31, 2003, future minimum amounts payable under these leases and agreements are as follows:

(\$ millions)	Pipeline Capacity and Energy Services ^(a)	Operating Leases
2004	149	38
2005	167	32
2006	179	27
2007	184	25
2008	202	19
Later years	3 691	62
	4 572	203

(a) Includes annual tolls payable under a transportation service agreement with a major pipeline company to use a portion of its pipeline capacity and tankage for the shipment of crude oil from Fort McMurray to Hardisty, Alberta. The agreement commenced in 1999 and extends to 2028. As the initial shipper on the pipeline, Suncor's tolls payable under the agreement are subject to annual adjustments.

To meet the energy needs of its oil sands operation, Suncor has a commitment under long-term energy agreements to obtain a portion of the power and all of the steam generated by a cogeneration facility owned by a major energy company. Since October 1999, this company has managed the operations of Suncor's existing energy services facility.

(b) Contingencies

The company is subject to various regulatory and statutory requirements relating to the protection of the environment. These requirements, in addition to contractual agreements and management decisions, result in the recognition of estimated reclamation and environmental remediation costs. Up to December 31, 2003, these costs were accrued at the company's Natural Gas and Oil Sands operations on the unit of production basis. A provision was not made for currently operated facilities such as the Oil Sands processing facilities, the Sarnia and Denver refineries and service stations. The company had determined that until there was cessation of operations and completion of site investigations for these facilities, reclamation and environmental remediation costs would not be estimable. Effective January 1, 2004, the company adopted new Canadian accounting standards that required recognition of a liability for the future retirement obligations associated with the company's property, plant and equipment (see Summary of Significant Accounting Policies). Estimates of future environmental remediation costs can change significantly based on such factors as operating experience, changes in legislation and regulations and cost.

To mitigate its exposure to property and business interruption losses, the company has purchased insurance policies with a combined coverage of up to US\$1,150 million, net of deductible amounts. The policies stipulate a property loss deductible of US\$10 million per incident, and a business interruption loss deductible per incident, based on the greater of US\$50 million or 30 days of gross earnings lost (as defined in the respective insurance policies). Gross earnings can be influenced by such factors as production levels, commodity prices and the U.S. dollar exchange rate.

The company is defendant and plaintiff in a number of legal actions that arise in the normal course of business. The company believes that any liabilities that might arise pertaining to such matters would not have a material effect on its consolidated financial position.

Costs attributable to these commitments and contingencies are expected to be incurred over an extended period of time and to be funded from the company's cash provided from operating activities. Although the ultimate impact of these matters on net earnings cannot be determined at this time, the impact may be material.

(c) Variable Interest Entities and Guarantees

At December 31, 2003, the company had various off-balance sheet arrangements with Variable Interest Entities and indemnification agreements with third parties as described below.

The company has a securitization program in place to sell, on a revolving, fully serviced and limited recourse basis, up to \$170 million of accounts receivable having a maturity of 45 days or less, to a third party. The third party is a multiple party securitization vehicle that provides funding for numerous asset pools. As at December 31, 2003, \$170 million in outstanding accounts receivable had been sold under the program. Under the recourse provisions, the company will provide indemnification against credit losses to a maximum of \$70 million. A liability has not been recorded for this indemnification as the company believes it has no significant exposure to credit losses. Proceeds received from new securitizations and proceeds from collections reinvested in securitizations on a revolving basis for the year ended December 31, 2003, were nil and approximately \$2,328 million, respectively. The company recorded an after-tax loss of approximately \$3 million on the securitization program in each of the last three years.

In 1999, the company sold 2,130,000 barrels of its crude oil inventory for \$49 million to a third party while retaining the right to use the inventory for its operations through a usage agreement for a five-year period. The third party's sole asset is the inventory sold to it by the company. The company pays an annual usage fee of \$7 million to the third party and receives a \$4 million annual storage fee. The company has the right, but is not obligated, to repurchase the inventory at the spot price at the end of the agreement in June 2004. In order to reduce the exposure to the spot price should it elect to repurchase the inventory, the company has entered into crude oil and U.S. dollar swap contracts fixing the purchase price of the crude oil on June 25, 2004 at Cdn\$49 million.

In 1999, the company entered into an equipment sale and leaseback arrangement with a third party for proceeds of \$30 million. The third party's sole asset is the equipment sold to it and leased back by the company. The initial lease term covers a period of seven years and is accounted for as an operating lease. The company has provided a residual value guarantee on the equipment of up to \$7 million should it elect not to repurchase the equipment at the end of the lease term. An early termination purchase option allows for the repurchase of the equipment at specified dates in 2003, 2004 and 2005. Had the company elected to terminate the lease at December 31, 2003, the total cost would have been \$30 million. Annualized equipment lease payments in 2003 were \$4 million (2002 and 2001 – \$2 million).

The company has agreed to indemnify holders of the 9.125% Preferred Securities, the 7.15% Notes, the 5.95% Notes and the company's credit facility lenders (see note 5) for added costs relating to taxes, assessments or other government charges or conditions, including any required withholding amounts. Similar indemnity terms apply to the receivables securitization program, the crude oil inventory monetization agreement and certain facility and equipment leases.

There is no limit to the maximum amount payable under the indemnification agreements described above. The company is unable to determine the maximum potential amount payable as government regulations and legislation are subject to change without notice. Under these agreements, Suncor has the option to redeem or terminate these contracts if additional costs are incurred.

11. PREFERRED SECURITIES

During 1999, the company completed a Canadian offering of \$276 million of 9.05% Preferred Securities and a U.S. offering of US\$162.5 million of 9.125% Preferred Securities for net proceeds of Cdn\$507 million after issue costs of \$17 million (\$10 million after income taxes). The Preferred Securities are comprised of unsecured junior subordinated debentures, due in 2048 and redeemable at the company's option. Accordingly, the Preferred Securities are classified as share capital in the Consolidated Balance Sheet and the interest distributions thereon, net of income taxes, are classified as dividends. On January 15, 2004, the company gave formal notice to the holders of the Preferred Securities that it will redeem the securities for cash consideration on March 15, 2004.

In 2003, dividends of \$45 million were paid on the Preferred Securities (2002 – \$48 million; 2001 – \$48 million).

12. SHARE CAPITAL

(a) Authorized:

Common Shares

The company is authorized to issue an unlimited number of common shares without nominal or par value.

Preferred Shares

The company is authorized to issue an unlimited number of preferred shares in series, without nominal or par value.

(b) Issued:

The number of common shares and common share options outstanding, common share prices and per share calculations, for both current and prior periods, reflect a two-for-one split of the company's common shares during 2002.

	Common Shares	
	Number (thousands)	Amount (\$ millions)
Balance as at December 31, 2001	445 956	555
Issued for cash under stock option plans	1 777	19
Issued under employee long-term incentive plan	1 090	—
Issued under dividend reinvestment plan	149	4
Balance as at December 31, 2002	448 972	578
Issued for cash under stock option plans	1 977	20
Issued under dividend reinvestment plan	235	6
Balance as at December 31, 2003	451 184	604

Common Share Options

A common share option gives the holder the right, but not the obligation, to purchase common shares at a predetermined price over a specified period of time.

After the date of grant, employees that hold options must earn the right to exercise them. This is done by the employee fulfilling a time requirement for service to the company, and with respect to certain options, subject to accelerated vesting should the company meet predetermined performance criteria. Once this right has been earned, these options are considered vested. Options granted to non-employee directors vest and are exercisable immediately.

The predetermined price at which an option can be exercised is equal to or greater than the market price of the common shares on the date the options are granted.

See below for more technical details and amounts on the company's stock option plans.

(i) EXECUTIVE STOCK PLAN Under this plan, the company granted 1,902,000 common share options in 2003 (2002 – 1,803,000) to non-employee directors and certain executives and other senior employees of the company (see note 1). The exercise price of an option is equal to the market value of the common shares at the date of grant. Options granted to non-employee directors have a 10-year life and are exercisable immediately. Options granted to employees have a 10-year life and vest annually over a three-year period.

(ii) SUNSHARE PERFORMANCE STOCK OPTION PLAN During 2003, the company granted 1,305,000 options (2002 – 8,938,000) to all eligible permanent full-time and part-time employees, both executive and non-executive, under its new employee stock option incentive plan ("SunShare"). Under SunShare, meeting specified performance targets may accelerate the vesting of some or all options, such that 20% of outstanding options may vest as early as 2004, up to an additional 20% of outstanding options may vest as early as 2005 and the remaining 60% of outstanding options may vest on April 30, 2008. All unvested options, which have not previously expired or been cancelled, will automatically vest on January 1, 2012.

(iii) EMPLOYEE LONG-TERM INCENTIVE PLAN Suncor's previous employee long-term incentive plan matured in 2002. At maturity, employees received 1,090,000 common shares from treasury for nil cash consideration, along with aggregate cash payments of \$34 million. In addition, 2,132,000 common share options, previously granted to senior employees, vested and became exercisable. No compensation expense was recorded related to the employees' receipt of common shares from treasury as these common shares were treated as stock option grants.

In addition, 1,462,000 deferred share units (DSUs) with a cash settlement value of \$42 million, which had previously been granted to certain executives, vested. These executives also received cash payments of \$44 million.

DSUs are only redeemable at the time a unitholder ceases employment. In 2003, 185,000 (2002 – 220,000) DSUs were redeemed for cash consideration of \$5 million (2002 – \$6 million). Over time, DSU unitholders are entitled to receive additional DSUs equivalent in value to future notional dividend reinvestments. Final DSU redemption amounts are subject to change depending on the company's share price at the time of exercise. Accordingly, the company revalues the DSUs on each reporting date, with any changes in value recorded as an adjustment to compensation expense in the period. As at December 31, 2003, 1,071,000 DSUs were outstanding with a total liability of \$35 million, all of which was classified as long-term (see note 7).

During 2003, total pretax compensation expense related to the above-noted long-term incentive plan was \$8 million (2002 – \$10 million; 2001 – \$42 million).

(iv) REVISED EMPLOYEE INCENTIVE COMPENSATION PLAN In November 2003, Suncor's Board of Directors approved a revised employee incentive compensation program to be implemented in 2004. The revised program consists of a combination of time-vesting common share options and performance-vesting share units (PSUs) to replace the current program whereby only time-vesting common share options are granted.

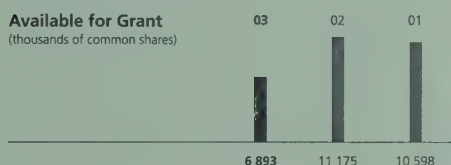
The exercise price of a time-vested option will continue to be equal to the market value of the common shares at the date of grant. Options granted will have a 10-year life and vest annually over a three-year period.

PSUs will be payable in cash three years from grant date, based on meeting certain corporate performance measures compared to a peer group of companies.

The following tables cover all common share options granted by the company for the years indicated:

	Number (thousands)	Range of Exercise Price (\$)	Weighted- average Exercise Price Per Share (\$)
Outstanding, December 31, 2000	11 722	2.38 – 19.28	10.28
Granted	2 181	15.94 – 21.35	17.63
Exercised	(2 029)	2.38 – 16.48	7.30
Cancelled	(106)	10.13 – 20.20	14.21
Outstanding, December 31, 2001	11 768	2.38 – 21.35	12.12
Granted	10 741	23.93 – 28.14	27.08
Exercised	(1 777)	2.38 – 17.45	10.42
Cancelled	(406)	13.04 – 27.65	26.48
Outstanding, December 31, 2002	20 326	3.80 – 28.14	19.89
Granted	3 207	23.65 – 29.85	26.70
Exercised	(1 977)	3.80 – 23.93	10.35
Cancelled	(540)	10.13 – 27.93	20.94
Outstanding, December 31, 2003	21 016	4.11 – 29.85	21.69
Exercisable, December 31, 2003	8 191	4.11 – 28.14	13.77

Common shares authorized for issuance by the Board of Directors that remain available for the granting of future options, at December 31:



The following table is an analysis of outstanding and exercisable common share options as at December 31, 2003:

Exercise Prices (\$)	Outstanding			Exercisable	
	Number (thousands)	Weighted- average Remaining Contractual Life	Weighted- average Exercise Price Per Share (\$)	Number (thousands)	Weighted- average Exercise Price Per Share (\$)
4.11 – 7.85	1 333	3	6.53	1 333	6.53
10.13 – 15.69	4 649	5	12.83	4 649	12.83
15.75 – 23.98	3 496	8	20.40	1 994	19.45
24.09 – 29.85	11 538	8	27.40	215	26.32
Total	21 016	7	21.69	8 191	13.77

(v) FAIR VALUE OF OPTIONS GRANTED The fair values of all common share options granted are estimated as at the grant date using the Black-Scholes option-pricing model. The weighted-average fair values of the options granted during the year and the weighted-average assumptions used in their determination are as noted below:

	2003	2002	2001
Annual dividend per share	\$0.1925	\$0.17	\$0.17
Risk-free interest rate	4.39%	5.39%	5.07%
Expected life	7 years	8 years	5 years
Expected volatility	32%	31%	35%
Weighted-average fair value per option	\$9.94	\$12.08	\$6.41

The company's reported net earnings attributable to common shareholders and earnings per share prepared in accordance with the fair value method of accounting for stock-based compensation would have been reduced for all common share options granted prior to 2003 to the pro forma amounts stated below:

(\$ millions, except per share amounts)	2003	2002	2001
Net earnings attributable to common shareholders – as reported	1 094	734	351
Less: compensation cost under the fair value method for pre-2003 options	30	32	9
Pro forma net earnings attributable to common shareholders for pre-2003 options	1 064	702	342
Basic earnings per share			
As reported	2.43	1.64	0.79
Pro forma	2.37	1.57	0.77
Diluted earnings per share			
As reported	2.26	1.61	0.78
Pro forma	2.20	1.54	0.76

13. EARNINGS PER COMMON SHARE

The following is a reconciliation of basic and diluted earnings per common share:

(\$ millions)	2003	2002	2001
Net earnings attributable to common shareholders	1 094	734	351
Dividends on Preferred Securities, net of tax	27	28	— ^(a)
Revaluation of US\$ Preferred Securities, net of tax	(37)	(1)	— ^(a)
Adjusted net earnings attributable to common shareholders	1 084	761	351
(millions of common shares)			
Weighted-average number of common shares	450	448	445
Dilutive securities:			
Options issued under stock-based compensation plans	8	5	6
Redemption of Preferred Securities by the issuance of common shares	22	20	— ^(a)
Weighted-average number of diluted common shares	480	473	451
(dollars per common share)			
Basic earnings per share ^(b)	2.43	1.64	0.79
Diluted earnings per share	2.26 ^(c)	1.61 ^(c)	0.78 ^(a)

Common share and earnings per common share amounts in the above table reflect a two-for-one share split effective May 15, 2002.

Note: An option will have a dilutive effect under the treasury stock method only when the average market price of the common stock during the period exceeds the exercise price of the option.

- (a) For the year ended December 31, 2001, diluted earnings per share is the net earnings attributable to common shareholders divided by the weighted-average number of diluted common shares. Dividends on Preferred Securities, the revaluation of US\$ Preferred Securities and the redemption of Preferred Securities by the issuance of common shares have an anti-dilutive impact, therefore they are not included in the calculation of diluted earnings per share.
- (b) Basic earnings per share is the net earnings attributable to common shareholders divided by the weighted-average number of common shares.
- (c) Diluted earnings per share is the adjusted net earnings attributable to common shareholders, divided by the weighted-average number of diluted common shares.

14. FINANCING EXPENSES (INCOME)

(\$ millions)	2003	2002	2001
Interest on debt	140	155	143
Capitalized interest	(57)	(22)	(125)
Net interest expense	83	133	18
Foreign exchange (gain) loss on long-term debt	(166)	(9)	—
Other foreign exchange (gain) loss	17	—	(2)
Total financing expenses (income)	(66)	124	16

Cash interest payments in 2003 totalled \$139 million (2002 – \$134 million; 2001 – \$129 million).

15. INVENTORIES

(\$ millions)	03	02
Materials, supplies and merchandise	102	75
Refined products	134	90
Crude oil	135	101
Total	371	266

As at December 31, 2003, the replacement cost of crude oil and refined product inventories, valued using the LIFO cost method, exceeded their carrying value by \$48 million (2002 – \$84 million).

16. TRANSPORTATION COSTS AND OTHER COMPARATIVE FIGURES

Effective January 2003, transportation costs billed to customers are classified as revenues with the related transportation costs classified as transportation and other costs in the Consolidated Statements of Earnings. Previously, these costs were netted against revenue. Prior period amounts have been reclassified for comparative purposes.

Certain other prior period comparative figures have also been reclassified to conform to the current period presentation.

17. RELATED PARTY TRANSACTIONS

The following table summarizes the company's related party transactions after eliminations for the year. These transactions are in the normal course of operations and have been carried out on the same terms as would apply with unrelated parties.

(\$ millions)	2003	2002	2001
Operating revenues			
Sales to Energy Marketing and Refining – Canada segment joint ventures:			
Refined products	301	321	300
Petrochemicals	187	142	131

The company has supply agreements with two Energy Marketing and Refining – Canada segment joint ventures for the sale of refined products. The company also has a supply agreement with an Energy Marketing and Refining – Canada segment joint venture for the sale of petrochemicals.

At December 31, 2003, amounts due from Energy Marketing and Refining – Canada segment joint ventures were \$36 million (2002 – \$30 million).

Sales to and balances with Energy Marketing and Refining – Canada segment joint ventures are established and agreed to by the various parties and approximate fair value.

18. SUPPLEMENTAL INFORMATION

(\$ millions)	2003	2002	2001
Export sales ^(a)	549	501	590
Exploration expenses			
Geological and geophysical	18	13	11
Other	1	2	1
Cash costs	19	15	12
Dry hole costs	32	11	10
Cash and dry hole costs ^(b)	51	26	22
Leasehold impairment ^(c)	16	10	9
	67	36	31
Taxes other than income taxes			
Excise taxes ^(d)	388	340	343
Production, property and other taxes	38	34	24
	426	374	367
Allowance for doubtful accounts	4	3	

(a) Sales of crude oil, natural gas and refined products to customers in the United States and sales of petrochemicals to customers in the United States and Europe.

(b) Included in exploration expenses in the Consolidated Statements of Earnings.

(c) Included in depreciation, depletion and amortization in the Consolidated Statements of Earnings.

(d) Included in operating revenues in the Consolidated Statements of Earnings.

In 2002, the company sold its retail natural gas marketing business in the Energy Marketing and Refining – Canada segment for cash consideration of \$62 million, net of related closing costs and adjustments of \$4 million, resulting in an after-tax gain of \$35 million.

19. DIFFERENCES BETWEEN CANADIAN AND U.S. GENERALLY ACCEPTED ACCOUNTING PRINCIPLES

The consolidated financial statements have been prepared in accordance with Canadian GAAP. The application of United States GAAP (U.S. GAAP) would have the following effects on earnings and comprehensive income as reported:

(\$ millions)	Notes	2003	2002	2001
Net earnings as reported, Canadian GAAP		1 084	761	388
Adjustments net of applicable income taxes				
Derivatives and hedging activities	(a)	(120)	6	(55)
Stock-based compensation	(b)	(2)	(12)	(14)
Preferred Securities	(c)	12	(29)	(27)
Accounting for income taxes	(d)	—	—	6
Write-off of oil shale assets	(e)	—	—	64
Start-up costs	(f)	—	—	10
Asset retirement obligations	(g)	(4)	—	—
Cumulative effect of change in accounting principles	(g)	(66)	—	47
Net earnings attributable to discontinued operations	(i)	—	(56)	5
Net earnings from continuing operations, U.S. GAAP		904	670	424
Net earnings (loss) from discontinued operations, U.S. GAAP	(i)	—	56	(5)
Derivatives and hedging activities, net of income taxes of \$7 (2002 – \$54; 2001 – \$16)	(a)	18	(118)	29
Minimum pension liability, net of income taxes of \$nil (2002 – \$10; 2001 – \$11)	(h)	7	(20)	(26)
Foreign currency translation adjustment	(j)	(26)	—	—
Comprehensive income, U.S. GAAP		903	588	422
per common share (dollars)		2003	2002	2001
Net earnings per share from continuing operations				
Basic		2.01	1.50	0.95
Diluted		1.86	1.47	0.94
Net earnings per share from discontinued operations				
Basic		—	0.12	(0.01)
Diluted		—	0.12	(0.01)

The application of U.S. GAAP would have the following effects on the Consolidated Balance Sheets as reported:

	Notes	December 31, 2003		December 31, 2002	
		As Reported	U.S. GAAP	As Reported	U.S. GAAP
Current assets	(a)	1 292	1 388	722	767
Property, plant and equipment, net	(c,g)	8 725	8 974	7 641	7 674
Deferred charges and other	(a,c,h)	286	333	185	231
Future income taxes	(a,g,h)	124	266	135	165
Total assets		10 427	10 961	8 683	8 837
Current liabilities	(a)	1 075	1 364	797	933
Long-term borrowings	(a,c)	2 448	2 967	2 686	3 251
Accrued liabilities and other	(g,h)	296	690	226	306
Future income taxes	(a,c,g)	2 183	2 281	1 516	1 539
Preferred Securities	(c)	476	—	523	—
Share capital	(b)	604	652	578	626
Contributed surplus	(b)	7	9	—	—
Cumulative foreign currency translation	(j)	(26)	—	—	—
Retained earnings		3 364	3 136	2 357	2 319
Accumulated other comprehensive income	(a,h,i)	—	(138)	—	(137)
Total liabilities and shareholders' equity		10 427	10 961	8 683	8 837

(a) Derivative Financial Instruments

The company accounts for its derivative financial instruments under Canadian GAAP as described in note 6. Financial Accounting Standards Board Statement (Statement) 133 "Accounting for Derivative Instruments and Hedging Activities," as amended by Statements 138 and 149 (the Standards), establishes U.S. GAAP accounting and reporting standards for derivative instruments, including certain derivative instruments embedded in other contracts, and for hedging activities. Generally, all derivatives, whether designated in hedging relationships or not, and excluding normal purchases and normal sales, are required to be recorded on the balance sheet at fair value. If the derivative is designated as a fair value hedge, changes in the fair value of the derivative and changes in the fair value of the hedged item attributable to the hedged risk are recognized in the Consolidated Statements of Earnings. If the derivative is designated as a cash flow hedge, the effective portions of the changes in fair value of the derivative are initially recorded in other comprehensive income ("OCI") and are recognized in the Consolidated Statements of Earnings when the hedged item is recognized. Accordingly, ineffective portions of changes in the fair value of hedging instruments are recognized in net earnings immediately for both fair value and cash flow hedges. Gains or losses arising from hedging activities, including the ineffective portion, are reported in the same earnings statement caption as the hedged item.

The determination of hedge effectiveness and the measurement of hedge ineffectiveness for cash flow hedges is based on internally derived valuations. The company uses these valuations to estimate the fair values of the underlying physical commodity contracts.

Commodity Price Risk

As described in note 6, Suncor manages crude price variability by entering into U.S. dollar WTI derivative transactions and has historically, in certain instances, combined U.S. dollar WTI derivative transactions and Canadian/U.S. foreign exchange derivative contracts. As at December 31, 2003, the company had hedged a portion of its forecasted Canadian dollar denominated cash flows subject to U.S. dollar WTI commodity price risk for up to two years. The company had not hedged any portion of the foreign exchange component of these forecasted cash flows.

While the company's current strategic intent is to only manage the exposure relating to changes in the U.S. dollar WTI component of its crude oil sales, U.S. GAAP requires the company to consider all cash flows arising from forecasted Canadian dollar denominated crude oil sales when measuring the ineffectiveness of its cash flow hedges. In periods of significant Canadian/U.S. dollar foreign exchange fluctuations, material hedge ineffectiveness can result from unhedged foreign exchange exposures. This ineffectiveness arises despite the company's assessment that its U.S. dollar WTI hedging instruments are highly effective in achieving offsetting changes in cash flows attributable to its forecasted Canadian dollar denominated crude oil sales.

Under U.S. GAAP, for the year ended December 31, 2003, the company would have recognized \$141 million of hedge ineffectiveness relating to forecasted cash flows in 2004 and 2005 primarily due to foreign exchange fluctuations during the period. The net earnings impact of this ineffectiveness will not be recognized for Canadian GAAP purposes until the related forecasted crude oil sales occur.

Interest Rate Risk

The company periodically enters into derivative financial instrument contracts such as interest rate swaps as part of its risk management strategy to minimize exposure to changes in cash flows of interest-bearing debt. At December 31, 2003, the company had interest rate derivatives classified as fair value hedges outstanding for up to eight years relating to fixed rate debt.

De-designated Hedging Instruments

During 2003, the company de-designated and monetized purchased crude oil call option hedging instruments for net proceeds of \$28 million. For Canadian GAAP purposes, as it is probable that the underlying forecasted crude oil sales will occur, the related \$28 million pretax gain on monetization of the call options has been deferred and will be recognized as additional crude oil revenues during 2004. For U.S. GAAP purposes, the company would have recognized the \$28 million pretax gain as hedge ineffectiveness income during 2003.

Non-designated Hedging Instruments

In 1999, the company sold inventory and subsequently entered into a derivative contract with an option to repurchase the inventory at the end of five years. The company realized an economic benefit as a result of liquidating a portion of its inventory. The derivative did not qualify for hedge accounting as the company does not have purchase price risk associated with the repurchase of the inventory. This derivative does not represent a U.S. GAAP difference as the company records this derivative at fair value for Canadian purposes.

During the fourth quarter of 2001, the company made a payment of \$29 million to terminate a long-term natural gas contract. The contract had been designated as a hedge under Canadian GAAP, and the resulting settlement loss of \$18 million, net of income taxes of \$11 million, was to be deferred and recognized as the hedged item was settled. During 2002, in connection with the sale of the company's retail natural gas marketing business (see note 18), the company disposed of the related hedged item. Accordingly, for Canadian GAAP purposes, the company recognized the entire settlement loss of \$18 million during 2002. For U.S. GAAP purposes, the long-term contract would have been designated as a normal purchase and sale transaction, and the after-tax loss of \$18 million would have been recognized in 2001 on the initial settlement of the contract.

Accumulated OCI and U.S. GAAP Net Earnings Impacts

A reconciliation of changes in accumulated OCI attributable to derivative hedging activities for the years ended December 31 is as follows:

(\$ millions)	2003	2002
OCI attributable to derivatives and hedging activities,		
beginning of the period, net of income taxes of \$41 (2002 – \$13)	(89)	29
Current period net changes arising from cash flow hedges,		
net of income taxes of \$26 (2002 – \$57)	(54)	(123)
Net hedging losses at the beginning of the period reclassified		
to earnings during the period, net of income taxes of \$33 (2002 – \$3)	72	5
OCI attributable to derivatives and hedging activities,		
end of period, net of income taxes of \$34 (2002 – \$41)	(71)	(89)

For the year ended December 31, 2003, assets increased by \$139 million and liabilities increased by \$332 million as a result of recording all derivative instruments at fair value.

The loss associated with realized and unrealized hedge ineffectiveness on derivative contracts designated as cash flow hedges during the period was \$199 million, net of income taxes of \$93 million (2002 – \$19 million, net of income taxes of \$9 million). The company estimates that \$55 million of after-tax hedging losses will be reclassified from OCI to current period earnings within the next 12 months as a result of forecasted sales occurring.

For the year ended December 31, 2003, U.S. GAAP net earnings would have been reduced by \$120 million; net of income taxes of \$56 million (2002 – increased net earnings of \$6 million, net of income taxes of \$4 million; 2001 – decreased net earnings of \$55 million, net of income taxes of \$37 million) to reflect the impact of the above items.

(b) Stock-based Compensation

Under Canadian GAAP, compensation expense has not been recognized for common share options granted prior to January 1, 2003, including options issued in connection with both the company's new SunShare long-term incentive plan, as well as those common shares and common share options awarded to employees under the company's previous long-term incentive program that matured April 1, 2002. Under U.S. GAAP, certain of the SunShare options would have been accounted for using the variable method of accounting for employee stock compensation. Further, for U.S. GAAP purposes, compensation expense would have been recognized ratably over the life of the previous long-term incentive program for those options and common shares awarded under that plan. For the year ended December 31, 2003, U.S. GAAP net earnings would have been reduced by \$2 million (2002 – \$12 million; 2001 – \$14 million) to reflect additional stock-based compensation expense.

As described in note 1, the company adopted a new stock-based compensation accounting policy for Canadian GAAP. The company now expenses the compensation cost of all common share options issued after January 1, 2003 ratably over the estimated vesting period of the respective options. For U.S. GAAP purposes, the company would have adopted Statement 148 in 2003, permitting the company to expense common share options issued after January 1, 2003 in a manner consistent with Canadian GAAP.

Consistent with Canadian GAAP, for U.S. GAAP purposes the company would have continued to disclose pro forma stock-based compensation cost for common stock options awarded prior to January 1, 2003 ("pre-2003 options") as if the fair value method had been adopted. Under U.S. GAAP, had the company accounted for its pre-2003 options using the fair value method (excluding the earnings effect of the SunShare and long-term employee incentive options described above), pro forma net earnings and pro forma basic earnings per share for the year ended December 31, 2003 would have been reduced by \$27 million (2002 – \$24 million; 2001 – \$9 million) and \$0.06 per share (2002 – \$0.05; 2001 – \$0.02), respectively.

(c) Preferred Securities

Under Canadian GAAP, Preferred Securities are classified as share capital and the interest distributions thereon, net of income taxes, are accounted for as dividends. Under U.S. GAAP, the Preferred Securities would have been classified as long-term debt and the interest distributions thereon would have been accounted for as financing expenses. Preferred Securities denominated in U.S. dollars of US\$163 million would have been revalued at the rate in effect at the related balance sheet date, with any foreign exchange gains (losses) recognized in the Consolidated Statements of Earnings. Further, under U.S. GAAP the interest distributions would have been eligible for interest capitalization.

Under Canadian GAAP, issue costs of the Preferred Securities, net of the related income tax credits, were charged against share capital. Under U.S. GAAP, these issue costs would have been deferred and amortized to earnings over the term of the related long-term debt.

For U.S. GAAP purposes, these differences would have increased net earnings for the year ended December 31, 2003 by \$12 million, including an income tax recovery of \$8 million (2002 – a reduction to net earnings of \$29 million, net of income taxes of \$20 million; 2001 – a reduction to net earnings of \$27 million, net of income taxes of \$18 million).

Under Canadian GAAP, the 2003 interest distributions on the Preferred Securities for the year ended December 31, 2003 of \$45 million (2002 – \$48 million; 2001 – \$48 million) are classified as financing activities in the Consolidated Statements of Cash Flows. Under U.S. GAAP, the interest distributions of \$45 million (2002 – \$48 million; 2001 – \$48 million) and the amortization of issue costs for the year ended December 31, 2003 of \$3 million (2002 – \$3 million; 2001 – \$3 million) would have been classified as operating activities.

The Preferred Securities, which are publicly traded, had a fair value, based on quoted market prices, of \$493 million at December 31, 2003 (2002 – \$568 million; 2001 – \$575 million).

(d) Income Taxes

Under Canadian GAAP, changes in tax laws and rates are recognized when they are considered substantially enacted, whereas under U.S. GAAP, changes in tax laws and rates are only considered after they have been enacted into law. This GAAP difference would have no impact on U.S. GAAP net earnings for the year ended December 31, 2003 (2002 – no impact; 2001 – an increase of \$6 million).

(e) Asset Impairment

Under Canadian GAAP, the company reduced the carrying amount of its interest in the Stuart Oil Shale Project in 2000, based on a non-discounted cash flow analysis. Had the carrying amount been determined using a discounted cash flow analysis as required under U.S. GAAP, an additional write-down of \$64 million, net of income taxes of \$55 million, would have been recorded in 2000. Effective April 5, 2001, the company sold its interest in the project. Due to the difference in determining the carrying value of the project for Canadian and U.S. GAAP purposes in 2000, net earnings for U.S. GAAP purposes for the year ended December 31, 2001 would have increased by \$64 million.

(f) Start-up Costs

In 2001, under Canadian GAAP, all remaining capitalized start-up costs associated with the Stuart Oil Shale Project were written down. Under U.S. GAAP, these start-up costs would have been fully expensed in 1999. As a result, net earnings for U.S. GAAP purposes for 2001 would have been increased by \$10 million, net of income taxes of \$7 million.

(g) Asset Retirement Obligations

For the years ended December 31, 2003, for Canadian GAAP purposes, estimated reclamation costs in the company's upstream operations were accrued on the unit of production basis. Estimated environmental remediation costs, which are predominantly in the company's downstream operations, were accrued during the period for those sites where assessments indicated that such work was required. On January 1, 2003, the company would have adopted Statement 143 "Accounting for Asset Retirement Obligations" for U.S. GAAP reporting purposes. Statement 143 requires recognition of a liability for the future retirement obligations associated with the company's property, plant and equipment. The fair value of the asset retirement obligations are recorded on a discounted basis as incurred. This amount is capitalized as part of the cost of the related asset and amortized to expense over its useful life. The liability accretes until the company settles the obligation.

For U.S. GAAP purposes, the company's adoption of Statement 143 effective January 1, 2003 would have increased total assets by \$331 million, increased total liabilities by \$397 million, and decreased net income due to the cumulative effect of a change in accounting principles by \$66 million, net of income taxes of \$34 million.

Had Statement 143 been applied during all periods presented, the company's asset retirement obligation would have been \$388 million at January 1, 2002, \$400 million at December 31, 2002 and \$401 million at December 31, 2003.

Under Canadian GAAP, net earnings for the year ended December 31, 2003 include site restoration and abandonment expense of \$19 million, net of income taxes of \$10 million (2002 – \$12 million, net of income taxes of \$5 million; 2001 – \$6 million, net of income taxes of \$3 million). Under U.S. GAAP, net earnings for the year ended December 31, 2003 would have reflected accretion expense of \$17 million (2002 – \$16 million; 2001 – \$16 million) and depreciation, depletion and amortization expense of \$6 million (2002 – \$6 million; 2001 – \$6 million), net of taxes of \$12 million (2002 – \$10 million; 2001 – \$11 million). On a pro forma basis, this would have decreased net earnings per common share by \$0.01 (2002 – \$0.02; 2001 – \$0.04). Under U.S. GAAP, at December 31, 2003, the company would have recorded a decrease to total liabilities of \$6 million.

The company owns interests in several assets for which the fair value of the asset retirement obligation cannot be reasonably determined because the assets currently have an indeterminate life. The asset retirement obligation for these assets will be recorded in the first period in which the lives of the assets are determinable.

(h) Minimum Pension Liability

Under U.S. GAAP, recognition of an additional minimum pension liability is required when the accumulated benefit obligation exceeds the fair value of plan assets to the extent that such excess is greater than accrued pension costs otherwise recorded. The accumulated benefit obligation does not incorporate projections of future compensation increases in the determination of the obligation. No such adjustment is required under Canadian GAAP.

Under U.S. GAAP, at December 31, 2003, the company would have recognized a minimum pension liability of \$76 million (2002 – \$80 million), an intangible asset of \$13 million (2002 – \$10 million) and other comprehensive loss of \$41 million, net of income taxes of \$22 million (2002 – \$48 million, net of income taxes of \$22 million). Other comprehensive income for the year ended December 31, 2003 would have increased by \$7 million, net of income taxes of \$nil (2002 – a decrease in other comprehensive income of \$20 million, net of income taxes of \$10 million; 2001 – a decrease in other comprehensive income of \$26 million, net of income taxes of \$11 million).

(i) Discontinued Operations

During 2002, the company disposed of its retail natural gas business for net proceeds of \$62 million, and recognized an after-tax gain on sale of \$35 million for Canadian GAAP purposes. The retail natural gas marketing business was not considered significant to the company's overall business operations, and was not classified as a business segment for the purposes of discontinued operations reporting. Accordingly, financial results of the retail natural gas marketing business were not segregated from the financial results of the company's other operations prior to the date of disposal of the business.

For U.S. GAAP purposes, the company would have adopted Statement 144 "Accounting for the Impairment and Disposal of Long-Lived Assets" effective January 1, 2002. For the purposes of Statement 144, the retail natural gas business would have been considered a distinguishable component of the company, and reflected as a discontinued operation for the year ended December 31, 2002. For segmented reporting purposes, the retail natural gas marketing business was included in the Energy Marketing and Refining – Canada operating segment in 2002 and 2001.

Selected financial information regarding the discontinued retail natural gas business is as follows for the year ended December 31:

(\$ millions)	2003	2002	2001
Revenues included in discontinued operations	—	81	196
Income from retail natural gas business operations, net of income taxes of \$nil (2002 – \$4; 2001 – recovery of \$3)	—	8	(5)
Gain on disposal of retail natural gas business, net of income taxes of \$nil (2002 – \$10; 2001 – \$nil)	—	48	—

There were no remaining assets or liabilities related to the discontinued operations at December 31, 2003 or at December 31, 2002.

(j) Cumulative Foreign Currency Translation

Under Canadian GAAP, foreign currency losses of \$26 million arising on translation of the company's Denver-based foreign operations have been recorded directly to shareholders' equity. Under U.S. GAAP, these foreign currency translation losses would be included as a component of comprehensive income.

Recently Issued Accounting Standards

Consolidation of Variable Interest Entities

In January 2003, the Financial Accounting Standards Board issued interpretation 46 ("FIN 46"), "Consolidation of Variable Interest Entities (VIEs)." VIEs, commonly referred to as Special Purpose Entities or SPEs, are entities in which the equity investors do not have a controlling financial interest or do not have sufficient equity at risk to absorb future losses.

Effective for 2004, FIN 46 requires consolidation of a VIE where the company will absorb a majority of a VIE's losses, receive a majority of its returns, or both. The company will be required to consolidate the VIE related to the sale of equipment as described in note 10(c). The company does not expect a significant impact on net income on consolidation of the equipment VIE. The impact on the balance sheet would be an increase to property, plant and equipment and an increase to long-term liabilities. The VIE involving the sale of crude oil inventory terminates June 25, 2004, and is not anticipated to have a significant impact on Suncor's reported results of operations or financial position for U.S. GAAP purposes. The accounts receivable securitization program, as currently structured, does not meet the FIN 46 criteria for consolidation by Suncor.

Quarterly Summary (unaudited)

FINANCIAL DATA

	For the Quarter Ended				Total Year	For the Quarter Ended				Total Year
	Mar 31	June 30	Sept 30	Dec 31		Mar 31	June 30	Sept 30	Dec 31	
(\$ millions except per share amounts)	2003	2003	2003	2003	2003	2002	2002	2002	2002	2002
Revenues	1 676	1 292	1 700	1 638	6 306	1 077	1 289	1 257	1 409	5 032
Net earnings (loss)										
Oil Sands	306	67	261	254	888	111	201	233	245	790
Natural Gas	28	37	27	37	129	5	12	1	17	35
Energy Marketing and Refining – Canada	21	16	10	6	53	7	27	10	20	64
Refining and Marketing – U.S.A. ^(c)	—	—	14	4	18	—	—	—	—	—
Corporate and eliminations	13	1	(17)	(1)	(4)	(33)	(11)	(60)	(24)	(128)
	368	121	295	300	1 084	90	229	184	258	761
Per common share										
Net earnings attributable to common shareholders										
Basic	0.84	0.29	0.64	0.67	2.43	0.18	0.52	0.38	0.56	1.64
Diluted	0.77	0.26	0.62	0.61	2.26	0.18	0.49	0.37	0.55	1.61
Cash dividends	0.0425	0.05	0.05	0.05	0.1925	0.0425	0.0425	0.0425	0.0425	0.17
Cash flow from (used in) operations										
Oil Sands	541	321	488	453	1 803	213	366	443	453	1 475
Natural Gas	88	66	80	66	300	34	41	36	53	164
Energy Marketing and Refining – Canada	49	41	27	47	164	28	—	35	49	112
Refining and Marketing – U.S.A. ^(c)	—	—	25	9	34	—	—	—	—	—
Corporate and eliminations	(65)	(70)	(36)	(49)	(220)	(94)	(55)	(67)	(95)	(311)
	613	358	584	526	2 081	181	352	447	460	1 440

OPERATING DATA

	For the Quarter Ended				Total Year	For the Quarter Ended				Total Year
	Mar 31	June 30	Sept 30	Dec 31		Mar 31	June 30	Sept 30	Dec 31	
	2003	2003	2003	2003	2003	2002	2002	2002	2002	2002
OIL SANDS										
(thousands of barrels per day)										
Production	211.1	188.2	231.5	235.2	216.6	179.3	207.6	207.9	227.6	205.8
Sales										
Light sweet crude oil	120.7	86.4	109.0	132.7	112.3	96.8	90.8	114.1	116.7	104.7
Diesel	30.1	22.9	24.8	27.2	26.3	20.2	23.8	22.4	25.6	23.0
Light sour crude oil	60.4	73.9	77.5	81.3	73.3	70.8	73.8	54.8	73.9	68.3
Bitumen	—	1.2	16.1	8.3	6.4	0.3	8.9	15.4	12.2	9.3
	211.2	184.4	227.4	249.5	218.3	188.1	197.3	206.7	228.4	205.3
Average sales price ⁽¹⁾										
(dollars per barrel)										
Light sweet crude oil	46.69	39.87	37.96	36.67	40.26	33.55	37.07	39.80	39.02	37.56
Other (diesel, light sour crude oil and bitumen)	40.62	32.94	32.92	30.72	33.93	25.53	30.33	30.86	31.04	29.58
Total	44.09	36.19	35.34	33.89	37.19	29.66	33.43	35.79	35.12	33.65
Total ^(a)	48.77	38.14	38.05	36.63	40.22	30.62	36.68	40.40	39.11	36.94

Quarterly Summary (unaudited) (continued)

	For the Quarter Ended				Total Year	For the Quarter Ended				Total Year
	Mar 31	June 30	Sept 30	Dec 31		Mar 31	June 30	Sept 30	Dec 31	
	2003	2003	2003	2003	2003	2002	2002	2002	2002	2002

OIL SANDS (continued)

(dollars per barrel sold rounded to the nearest \$0.05)

Cash operating costs and total operating costs

New definition:

Cash costs	9.20	10.70	8.20	9.45	9.30	11.25	9.50	9.35	8.30	9.50
Natural gas	3.10	2.40	1.65	1.60	2.15	2.25	1.40	1.05	1.75	1.55
Imported bitumen	0.10	0.10	—	—	0.05	—	—	—	0.15	0.05

Cash operating costs ⁽²⁾	12.40	13.20	9.85	11.05	11.50	13.50	10.90	10.40	10.20	11.10
Depreciation, depletion and amortization	6.20	6.25	5.20	5.30	5.70	6.15	5.50	6.25	6.05	6.00
Total operating costs ⁽³⁾	18.60	19.45	15.05	16.35	17.20	19.65	16.40	16.65	16.25	17.10

As previously defined:

Cash costs	9.35	10.70	8.10	9.65	9.40	11.05	9.40	9.15	8.55	9.45
Natural gas	3.10	2.50	1.65	1.50	2.15	2.15	1.45	1.05	1.75	1.60
Cash overburden spending	2.30	3.20	1.70	1.85	2.20	3.15	1.75	1.75	2.00	2.10
Imported bitumen	0.10	0.10	—	—	0.05	—	—	—	0.15	0.05
Project start-up costs	0.10	0.15	0.15	0.10	0.10	—	—	0.10	0.05	0.05

Cash operating costs ⁽⁴⁾	14.95	16.65	11.60	13.10	13.90	16.35	12.60	12.05	12.50	13.25
Depreciation, depletion and amortization (net of cash overburden spending)	3.90	3.25	3.65	3.10	3.45	2.70	4.05	4.50	4.05	3.90
Total operating costs ⁽⁵⁾	18.85	19.90	15.25	16.20	17.35	19.05	16.65	16.55	16.55	17.15

NATURAL GAS

Gross production ^(b)

Natural gas (millions of cubic feet per day)	184	175	194	194	187	175	179	181	182	179
Natural gas liquids (thousands of barrels per day)	2.4	2.1	2.5	2.4	2.3	2.5	2.5	2.3	2.4	2.4
Crude oil (thousands of barrels per day)	1.4	1.6	1.6	1.0	1.4	1.4	1.7	1.3	1.5	1.5
Total (barrel of oil equivalent per day at 6:1 for natural gas)	34.5	32.8	36.4	35.7	34.9	33.0	34.0	33.8	34.2	33.7

Average sales price ⁽¹⁾

Natural gas (dollars per thousand cubic feet)	7.54	6.63	6.07	5.53	6.42	3.21	3.92	3.56	4.91	3.91
Natural gas ^(a) (dollars per thousand cubic feet)	7.59	6.65	6.04	5.51	6.42	3.21	3.92	3.56	4.91	3.91
Natural gas liquids (dollars per barrel)	41.65	33.45	33.50	35.45	36.08	22.53	28.25	31.66	35.14	29.35
Crude oil – conventional (dollars per barrel)	47.75	37.82	38.31	36.91	40.29	29.15	30.99	33.57	33.20	31.72

Quarterly Summary (unaudited) (continued)

	For the Quarter Ended				Total Year	For the Quarter Ended				Total Year
	Mar 31 2003	June 30 2003	Sept 30 2003	Dec 31 2003	2003	Mar 31 2002	June 30 2002	Sept 30 2002	Dec 31 2002	2002
ENERGY MARKETING AND REFINING – CANADA										
Refined product sales (thousands of cubic metres per day)	15.7	14.9	15.2	14.2	15.0	13.5	14.9	14.1	15.8	14.5
Margins										
Refining ⁽⁶⁾ (cents per litre)	7.5	4.7	6.5	7.0	6.5	4.1	3.8	4.4	6.6	4.8
Refining ^{(6), (a)} (cents per litre)	7.8	4.2	6.4	6.9	6.4	4.1	3.8	4.4	6.6	4.8
Retail ⁽⁷⁾ (cents per litre)	7.0	6.2	7.0	6.3	6.6	6.1	6.8	6.9	6.5	6.6
Utilization of refining capacity (%)	103	100	91	86	95	102	70	100	108	95

REFINING AND MARKETING – U.S.A. ^(c)

Refined product sales (thousands of cubic metres per day)	—	—	9.8	8.6	9.1	—	—	—	—	—
Margins										
Refining ⁽⁶⁾ (cents per litre)	—	—	7.9	4.6	5.9	—	—	—	—	—
Refining ^{(6), (a)} (cents per litre)	—	—	7.9	4.6	5.9	—	—	—	—	—
Retail ⁽⁷⁾ (cents per litre)	—	—	6.4	4.8	5.6	—	—	—	—	—
Utilization of refining capacity (%)	—	—	101	96	98	—	—	—	—	—

(a) Excludes the impact of hedging activities.

(b) Currently all Natural Gas production is located in the Western Canada Sedimentary Basin.

(c) Refining and Marketing – U.S.A. reflects the results of operations since acquisition on August 1, 2003.

Definitions

- (1) Average sales price – This operating statistic is calculated before royalties and net of related transportation costs (including or excluding the impact of hedging activities as noted).
- (2) Cash operating costs – Include cash costs that are defined as operating, selling and general expenses (excluding inventory changes), taxes other than income taxes and the cost of bitumen imported from third parties. Per barrel amounts are based on production volumes. For a detailed annual reconciliation of this non-GAAP financial measure see page 50 of Management's Discussion and Analysis (MD&A).
- (3) Total operating costs – Include cash operating costs as defined in (2) above and non-cash operating costs. Per barrel amounts are based on production volumes.
- (4) Cash operating costs (as previously defined) – Included cash costs that were defined as operating, selling and general expenses (including inventory changes), certain financing expenses, taxes other than income taxes and cash overburden spending. Per barrel amounts were based on sales volumes.
- (5) Total operating costs (as previously defined) – Included cash operating costs as defined in (4) above and non-cash operating costs (excluding cash overburden spending). Per barrel amounts were based on sales volumes.
- (6) Refining margin – This operating statistic is calculated as the average wholesale unit price from all products less the average unit cost of crude oil.
- (7) Retail margin – This operating statistic is calculated as the average street price of Sunoco (Energy Marketing and Refining – Canada) and Phillips 66-branded (Refining and Marketing – U.S.A.) retail gasoline net of federal excise tax and other adjustments, less refining gasoline transfer price.

Metric conversion

Crude oil, refined products, etc. – 1m³ (cubic metre) = approx. 6.29 barrels

Natural gas – 1m³ (cubic metre) = approx. 35.49 cubic feet

Five-year Financial Summary (unaudited)

(\$ millions except for ratios)	2003 ^(a)	2002	2001	2000	1999
Revenues					
Oil Sands	3 061	2 616	1 372	1 402	923
Natural Gas	512	339	481	458	337
Energy Marketing and Refining – Canada	2 671	2 508	2 673	2 604	1 779
Refining and Marketing – U.S.A.	515	—	—	—	—
Corporate and eliminations	(453)	(431)	(232)	(980)	(587)
	6 306	5 032	4 294	3 484	2 452
Net earnings (loss)					
Oil Sands	888	790	283	315	167
Natural Gas	129	35	117	98	41
Energy Marketing and Refining – Canada	53	64	80	81	27
Refining and Marketing – U.S.A.	18	—	—	—	—
Corporate and eliminations	(4)	(128)	(92)	(117)	(49)
	1 084	761	388	377	186
Cash flow from (used in) operations					
Oil Sands	1 803	1 475	486	655	405
Natural Gas	300	164	280	238	172
Energy Marketing and Refining – Canada	164	112	165	174	103
Refining and Marketing – U.S.A.	34	—	—	—	—
Corporate and eliminations	(220)	(311)	(100)	(109)	(89)
	2 081	1 440	831	958	591
Capital and exploration expenditures					
Oil Sands	948	617	1 479	1 808	1 057
Natural Gas	183	163	132	127	200
Energy Marketing and Refining – Canada	122	60	54	45	42
Refining and Marketing – U.S.A.	31	—	—	—	—
Corporate	32	37	13	18	51
	1 316	877	1 678	1 998	1 350
Total assets	10 427	8 683	8 094	6 833	5 176
Capital employed^(b)					
Short-term and long-term debt, less cash and cash equivalents	2 091	2 671	3 143	2 235	1 334
Shareholders' equity	4 425	3 458	2 780	2 472	2 108
	6 516	6 129	5 923	4 707	3 442
Less capitalized costs related to major projects in progress	(1 122)	(511)	(3 691)	(2 497)	(1 084)
	5 394	5 618	2 232	2 210	2 358
Total Suncor employees (number at year-end)	4 372	3 422	3 307	3 043	2 796
Dollars per common share					
Net earnings attributable to common shareholders	2.43	1.64	0.79	0.78	0.39
Cash dividends	0.1925	0.17	0.17	0.17	0.17
Cash flow from operations	4.63	3.22	1.87	2.16	1.34
Cash flow from operations after deducting dividends paid on Preferred Securities	4.53	3.11	1.76	2.06	1.26

Five-year Financial Summary (unaudited) (continued)

	2003	2002	2001	2000	1999
Ratios					
Return on capital employed (%) ^(c)	18.3	14.6	17.8	16.6	8.3
Return on capital employed (%) ^(d)	15.9	13.8	7.5	9.3	6.4
Return on shareholders' equity (%) ^(e)	27.5	24.4	14.8	16.5	10.3
Debt to debt plus shareholders' equity (%) ^(f)	35.9	43.7	53.1	47.7	38.9
Net debt to cash flow from operations (times) ^(g)	1.0	1.9	3.8	2.3	2.3
Interest coverage – cash flow basis (times) ^(h)	15.7	10.6	5.9	9.0	9.1
Interest coverage – net earnings basis (times) ⁽ⁱ⁾	13.5	8.2	3.7	5.6	5.1

(a) Refining and Marketing – U.S.A. reflects the results of operations since acquisition on August 1, 2003.

(b) Capital employed – see page 62.

(c) Net earnings adjusted for after-tax financing expenses (income) for the 12-month period ended, divided by average capital employed. Average capital employed is the sum of shareholders' equity and short-term debt plus long-term debt less cash and cash equivalents, less capitalized costs related to major projects in progress (as applicable), at the beginning and end of the year, divided by two. For a detailed annual reconciliation of this non-GAAP financial measure see page 50 of MD&A.

(d) If return on capital employed were to include capitalized costs related to major projects in progress, it would be as stated on this line.

(e) Net earnings as a percentage of average shareholders' equity. Average shareholders' equity is the sum of total shareholders' equity at the beginning and end of the year divided by two.

(f) Short-term debt plus long-term debt, divided by the sum of short-term debt, long-term debt and shareholders' equity.

(g) Short-term debt plus long-term debt less cash and cash equivalents, divided by cash flow from operations for the year then ended.

(h) Cash flow from operations plus current income taxes and interest expense, divided by the sum of interest expense and capitalized interest.

(i) Net earnings plus income taxes and interest expense, divided by the sum of interest expense and capitalized interest.

Share Trading Information (unaudited)

Common shares are listed on the Toronto Stock Exchange and New York Stock Exchange under the symbol SU.

The following share trading information reflects a two-for-one split of the company's common shares during 2002.

	For the Quarter Ended				For the Quarter Ended			
	Mar 31 2003	June 30 2003	Sept 30 2003	Dec 31 2003	Mar 31 2002	June 30 2002	Sept 30 2002	Dec 31 2002
Share ownership								
Average number outstanding, weighted monthly (thousands) ^(a)	449 187	449 485	449 756	450 505	446 270	447 685	448 412	448 839
Share price (dollars)								
Toronto Stock Exchange								
High	27.50	26.60	27.14	32.85	30.00	29.50	28.51	27.20
Low	23.87	23.31	24.75	25.07	23.31	24.66	22.30	22.56
Close	25.61	25.34	24.93	32.50	28.75	26.60	27.31	24.70
New York Stock Exchange – US\$								
High	18.50	19.68	19.59	25.42	18.57	18.57	18.25	17.16
Low	15.32	16.10	17.86	18.57	14.68	16.10	13.95	14.20
Close	17.47	18.75	18.55	25.06	18.08	17.86	16.95	15.67
Shares traded (thousands)								
Toronto Stock Exchange	83 756	67 815	64 875	93 538	108 140	96 043	93 144	91 947
New York Stock Exchange	23 600	23 369	21 725	27 138	16 971	23 680	19 420	19 933
Per common share information (dollars)								
Net earnings attributable to common shareholders	0.84	0.29	0.64	0.67	0.18	0.52	0.38	0.56
Cash dividends	0.0425	0.05	0.05	0.05	0.0425	0.0425	0.0425	0.0425

(a) The company had approximately 2,154 holders of record of common shares as at January 30, 2004.

Information for Security Holders Outside Canada

Cash dividends paid to shareholders resident in countries with which Canada has an income tax convention are usually subject to Canadian non-resident withholding tax of 15%. The withholding tax rate is reduced to 5% on dividends paid to a corporation if it is a resident of the United States that owns at least 10% of the voting shares of the company.

Supplemental Financial and Operating Information (unaudited)

	2003	2002	2001	2000	1999
OIL SANDS					
Production (thousands of barrels per day)	216.6	205.8	123.2	113.9	105.6
Sales (thousands of barrels per day)					
Light sweet crude oil	112.3	104.7	56.2	64.3	52.7
Diesel	26.3	23.0	14.8	9.3	8.2
Light sour crude oil	73.3	68.3	42.0	35.8	37.5
Bitumen	6.4	9.3	8.5	6.2	3.8
	218.3	205.3	121.5	115.6	102.2
Average sales price (dollars per barrel)					
Light sweet crude oil	40.26	37.56	34.17	35.31	26.06
Other (diesel, light sour crude oil and bitumen)	33.93	29.58	24.86	27.09	21.48
Total	37.19	33.65	29.17	31.67	23.84
Total ^(a)	40.22	36.94	34.21	41.29	25.89
Cash operating costs – new definition ^(b)	11.50	11.10	11.10	11.25	9.90
Total operating costs – new definition ^(b)	17.20	17.10	16.25	16.80	14.50
Cash operating costs – as previously defined ^(b)	13.90	13.25	17.00	13.55	11.70
Total operating costs – as previously defined ^(b)	17.35	17.15	19.60	17.25	15.05
Return on capital employed (%) ^(c)	20.6	16.8	20.1	22.8	12.9
Return on capital employed (%) ^(d)	17.3	15.6	6.4	10.6	9.2

(a) Excludes the impact of hedging activities.

(b) Dollars per barrel rounded to the nearest \$0.05. See definitions on page 92.

(c) See definitions on page 94.

(d) If capital employed were to include capitalized costs related to major projects in progress, the return on capital employed would be as stated on this line.

Supplemental Financial and Operating Information (unaudited) (continued)

	2003	2002	2001	2000	1999
NATURAL GAS					
Production					
Natural gas (millions of cubic feet per day)					
Gross	187	179	177	200	226
Net	142	124	124	142	170
Natural gas liquids (thousands of barrels per day)					
Gross	2.3	2.4	2.4	3.0	4.2
Net	1.7	1.7	1.7	2.1	3.0
Crude oil (thousands of barrels per day)					
Gross	1.4	1.5	1.5	4.2	9.2
Net	1.1	1.2	1.1	3.3	7.5
Total (thousands of boe ^(a) per day)					
Gross	34.9	33.7	33.4	40.5	51.1
Net	26.4	23.6	23.5	29.1	38.8
Average sales price					
Natural gas (dollars per thousand cubic feet)	6.42	3.91	6.09	4.72	2.44
Natural gas (dollars per thousand cubic feet) ^(b)	6.42	3.91	6.12	4.73	2.48
Natural gas liquids (dollars per barrel)	36.08	29.35	34.38	36.66	19.32
Crude oil – conventional (dollars per barrel)	40.29	31.72	33.92	29.50	20.94
Return on capital employed (%) ^(e)	29.2	9.2	32.1	17.2	5.5
Undeveloped landholdings ^(c)					
Oil and gas (millions of acres)					
Western provinces					
Gross	0.5	0.5	0.6	1.4	1.5
Net	0.4	0.4	0.5	1.1	1.2
International					
Gross	0.9	1.2	1.7	1.3	—
Net	0.2	0.7	1.3	1.1	—
Net wells drilled ^(d)					
Exploratory					
Oil	—	—	—	—	1
Gas	2	2	4	1	5
Dry	31	19	16	15	13
Development					
Oil	1	—	—	2	2
Gas	16	18	16	14	4
Dry	4	4	2	3	1
	54	43	38	35	26

(a) Barrel of oil equivalent – converts natural gas to oil on the approximate energy equivalent basis that 6,000 cubic feet equals one barrel of oil.

(b) Excludes the impact of hedging activities.

(c) Metric conversion: Landholdings – 1 hectare = approximately 2.5 acres.

(d) Excludes interests in one net exploratory well and three net development wells in progress at the end of 2003.

(e) See definitions on page 94.

Supplemental Financial and Operating Information (unaudited) (continued)

	2003	2002	2001	2000	1999
ENERGY MARKETING AND REFINING – CANADA					
Refined product sales (thousands of cubic metres per day)					
Transportation fuels					
Gasoline					
Retail ^(b)	4.4	4.5	4.3	4.2	4.1
Other	4.2	4.4	4.4	4.0	3.7
Jet fuel	0.7	0.4	0.7	1.1	1.1
Diesel	3.0	2.9	3.1	3.1	2.7
	12.3	12.2	12.5	12.4	11.6
Petrochemicals	0.8	0.6	0.5	0.6	0.7
Heating oils	0.5	0.4	0.4	0.4	0.4
Heavy fuel oils	0.8	0.6	0.8	0.6	0.5
Other	0.6	0.7	0.6	0.6	0.6
	15.0	14.5	14.8	14.6	13.8
Margins (cents per litre)					
Refining	6.5	4.8	5.7	5.9	4.0
Refining ^(c)	6.4	4.8	5.7	5.9	4.0
Retail	6.6	6.6	6.6	6.6	7.4
Crude oil supply and refining					
Processed at Sarnia refinery					
(thousands of cubic metres per day)	10.5	10.6	10.2	10.9	10.6
Utilization of refining capacity (%)	95	95	92	98	95
Return on capital employed (%) ^(d) –	10.2	12.5	18.4	20.5	6.0
Retail outlets ^(e) (number at year-end)	379	384	400	402	415
REFINING AND MARKETING – U.S.A. ^(a)					
Refined product sales (thousands of cubic metres per day)					
Transportation fuels					
Gasoline					
Retail ^(b)	0.7	—	—	—	—
Other	3.5	—	—	—	—
Jet fuel	0.5	—	—	—	—
Diesel	2.3	—	—	—	—
	7.0	—	—	—	—
Asphalt	1.7	—	—	—	—
Other	0.4	—	—	—	—
	9.1	—	—	—	—
Margins (cents per litre)					
Refining	5.9	—	—	—	—
Refining ^(c)	5.9	—	—	—	—
Retail	5.6	—	—	—	—
Crude oil supply and refining					
Processed at Denver refinery					
(thousands of cubic metres per day)	9.4	—	—	—	—
Utilization of refining capacity (%)	98	—	—	—	—
Retail outlets ^(f) (number at year-end)	43	—	—	—	—

(a) For the year ended 2003, Refining and Marketing – U.S.A. reflects the results of operations since acquisition from August 1 to December 31, 2003.

(b) Excludes sales through joint venture interests.

(c) Excludes the impact of hedging activities.

(d) See definitions on page 94.

(e) Sunoco-branded service stations, other private brands managed by EM&R and EM&R's interest in service stations managed through joint ventures. Outlets are located mainly in Ontario.

(f) Phillips-66 branded service stations. Outlets are located primarily in the Denver, Colorado area.

investor Information

Stock Trading Symbols and Exchange Listing

Common shares are listed on the Toronto Stock Exchange and New York Stock Exchange under the symbol SU.

Dividends

Suncor's Board of Directors reviews its dividend policy regularly. Effective the second quarter of 2003, dividends were increased to \$0.05 per share from \$0.0425 per share resulting in an aggregate 2003 dividend of \$0.1925 per common share.

Dividend Reinvestment and Common Share Purchase Plan

Suncor's Dividend Reinvestment and Common Share Purchase Plan enables shareholders to invest cash dividends in common shares or acquire additional shares through optional cash payments without payment of brokerage commissions, service charges or other costs associated with administration of the plan. For more information, call Computershare Trust Company of Canada at 1-888-267-6555 or visit the investor information section of our web site at www.suncor.com.

Stock Transfer Agent and Registrar

In Canada, Suncor's agent is Computershare Trust Company of Canada, with locations in Calgary, Edmonton, Toronto, Montreal and Vancouver. In the United States, Computershare Trust Company, Inc. is located in Denver, Colorado.

Independent Auditors

PricewaterhouseCoopers LLP

Independent Petroleum Consultants

Gilbert Laustsen Jung Associates Ltd.

Annual Meeting

Suncor's annual and special meeting of shareholders will be held at 10:30 a.m. MT on April 29, 2004, at the Hotel Macdonald, 10065 - 100 Street, Edmonton, Alberta. Presentations from the meeting will be web-cast live at www.suncor.com

Corporate Office

Box 38, 112 - 4th Avenue SW, Calgary, Alberta T2P 2V5

Telephone: 403-269-8100 Toll-free number in Canada and the United States: 1-866-SUNCOR-1 (1-866-786-2671)

Facsimile: 403-269-6217 E-mail: info@suncor.com

Analyst and Investor Inquiries

John Rogers, Vice President, Investor Relations

Telephone: (403) 269-8670 Facsimile: (403) 269-6217 E-mail: invest@suncor.com

For further information, to subscribe or cancel duplicate mailings

In addition to Annual and Quarterly Reports, Suncor publishes a biennial Report on Sustainability. All of Suncor's publications, as well as updates on company news as it happens, are available on our web site at www.suncor.com. To subscribe to Suncor e-news, go to the newsroom section of our web site. To order copies of Suncor's print materials call 1-800-558-9071.

Sometimes shareholders receive more than one copy of our Annual Report. If you receive but do not require more than one mailing, call Computershare Trust Company of Canada at 1-888-267-6555. Computershare will update your account information accordingly.

Shareholders can help reduce mailing costs and paper waste by electing to receive Suncor's Annual Report and other documents electronically. To register for electronic delivery, go to www.investordeliverycanada.com and follow the instructions for enrollment. You will need the 12-character control number enclosed with the Voting Instruction Form sent to shareholders. If you hold Suncor shares in multiple accounts, you will receive meeting packages and a corresponding control number for each account. You must register for each account.

Corporate Directors and Officers

Providing strategic guidance to the company, setting policy direction and ensuring Suncor is fairly reporting its progress are central to the work of Suncor's Board of Directors.

The Board's oversight role encompasses Suncor's strategic planning process, risk management, communication with investors and other stakeholders, and standards of business conduct. Suncor's Board is also responsible for selecting, monitoring and evaluating executive leadership and aligning management's decision making with long-term shareholder interest. A comprehensive description of Suncor's governance practices is available in the company's annual proxy circular on Suncor's web site at www.suncor.com or by calling 1-800-558-9071.

Independence

As of December 31, 2003, Suncor's Board of Directors comprised 12 directors, 10 of whom have been determined by the Board to be independent of management under the guidelines established by the Toronto Stock Exchange and New York Stock Exchange. The role of chair is assumed by an independent director and is separate from the role of chief executive officer. Independent directors also chair the four committees of the Board.

Committee	Key Responsibilities
Board Policy, Strategy Review and Governance Committee >>	Reviews preliminary stages of key strategic initiatives and projects. Reviews and assesses processes relating to long-range planning and budgeting. Oversees key matters pertaining to corporate values, beliefs and standards of ethical conduct. Reviews key matters pertaining to governance, including organization, composition and effectiveness of the Board.
Human Resources and Compensation Committee >>	Reviews and ensures Suncor's overall goals and objectives are supported by appropriate executive compensation philosophy and programs; annually evaluates the performance of the Chief Executive Officer (CEO) against predetermined goals and criteria, and recommends to the Board the total compensation for the CEO. The committee also annually reviews the CEO's evaluation and recommendations for total compensation of the other executive roles, the executive succession planning process and results, and all major Human Resource programs.
Environment, Health and Safety Committee	Reviews the effectiveness with which Suncor meets its obligations pertaining to environment, health and safety including the establishment of appropriate policies with regard to legal, industry and community standards and related management systems and compliance.
Audit Committee >>	Oversees external audit and reviews annual disclosure documents such as financial statements, management's discussion and analysis (MD&A) and the annual information form, including reserves data; approves quarterly financial disclosure documents including quarterly financial statements and MD&A.

>> comprised entirely of independent directors as of December 31, 2003.

In 2003, the Board of Directors met six times. With the exception of one Board member absent from one meeting, all members attended all Board meetings in 2003. Committees of the Board generally meet four or five times per year with the exception of the Audit Committee, which meets more frequently.

Share Ownership

The Board has set guidelines for its own, as well as executive share ownership. Shares held by each Board member and guidelines for executive share ownership are reported annually in Suncor's Proxy Circular.

Board of Directors

JR Shaw (2,3)

Calgary, Alberta
Chairman of the Board of Directors
Director since 1998

JR Shaw has been the chairman of the Board of Suncor since 2001. He is also the executive chair of Shaw Communications Inc. Mr. Shaw is also a director of the Shaw Foundation.

Mel E. Benson (3,4)

Calgary, Alberta
Director since 2000

Mel Benson is president of Mel E. Benson Management Services Inc., an international management consulting firm based in Calgary, Alberta. From 1996 to 2000 Mr. Benson was the senior operations advisor, African Development, Exxon Co. International. Mr. Benson is also an active member of several charitable and Aboriginal organizations, including the Counsel for Advancement of Native Development Officers, the Canadian Aboriginal Professional Association and the National Aboriginal Business Association.

Brian A. Canfield (2,3)

Point Roberts, Washington
Chair, Human Resources
and Compensation Committee
Director since 1995

Brian Canfield is the chairman of TELUS Corporation. In addition to serving on Suncor's Board, Mr. Canfield is also on the boards of Terasen Inc. and the Toronto Stock Exchange.

Susan E. Crocker (2,3)

Toronto, Ontario
Director since 2003

Susan Crocker is a corporate director and management consultant who serves as a director on the boards of Brascan Financial Corporation and RioCan Real Estate Investment Trust. Ms. Crocker also serves as a director of a number of arts and community organizations, including Canadian Stage Theatre Company, and the Toronto Community Foundation. She is a managing director and founder of IQ Alliance, a strategic advisory firm formed in 2002. From 1996 to 1999, she was senior vice president, Equity and Derivative Markets with the Toronto Stock Exchange and from 1999 to 2001 was the president and chief executive officer of the Hospitals of Ontario Pension Plan.

Bryan P. Davies (1,4)

Toronto, Ontario
Director 1991 to 1996 and since 2000

Bryan Davies is superintendent, Financial Services and chief executive officer of the Financial Services Commission of Ontario, an agency of the Ontario government that regulates pensions, insurance companies and deposit institutions. Prior to that he was senior vice president, Regulatory Affairs with the Royal Bank Financial Group. Mr. Davies is also active in a number of not-for-profit charitable organizations, including serving as chair of the Canadian Merit Scholarship Foundation and as a director of the National Gallery Foundation.

Brian A. Felesky (1,4)

Calgary, Alberta
Director since 2002

Brian Felesky is a partner in the law firm of Felesky Flynn in Calgary, Alberta. Mr. Felesky also serves as a director on the board of TransCanada Power, L.P. Mr. Felesky is actively involved in not-for-profit and charitable organizations. He is the chair of Homefront on Domestic Violence, a director of the United Way of Calgary and Area and the Canada West Foundation, as well as a member of the Board of Governors of the Council for Canadian Unity.

John T. Ferguson (1,2)

Edmonton, Alberta
Chair, Audit Committee
Director since 1995

John Ferguson is chairman of Princeton Developments Ltd., a real estate company in Edmonton, Alberta, as well as chairman of TransAlta Corporation. Mr. Ferguson is also a director of Bellanca Developments Ltd. and the Royal Bank of Canada. He is a director of the C.D. Howe Institute and an advisory member of the Canadian Institute for Advanced Research. His involvement in the community includes acting as chancellor of the University of Alberta.

Richard L. George

Calgary, Alberta
Director since 1991

Richard George is president and chief executive officer of Suncor. Mr. George is also a director of Enbridge Inc. and GlobalSantaFe Corporation. Mr. George serves as the chairman of the Canadian Council of Chief Executives.

John R. Huff (2,3)

Houston, Texas
Chair, Board Policy, Strategy Review
and Governance Committee
Director since 1998

John Huff is chairman and chief executive officer of Oceanengineering International Inc., an oil field services company. Mr. Huff is also a director of BJ Services Company. He is active in a variety of non-profit organizations, serving as a director for the American Bureau of Shipping and the Marine Resources Foundation, Key Largo. He is a trustee for the Houston Museum of Natural Science.

Robert W. Korthals (1,2)

Toronto, Ontario
Director since 1996

Robert Korthals is the former president of the Toronto-Dominion Bank. He is currently chairman of the Ontario Teachers' Pension Plan, and is also a director of Jannock Properties Limited, Rogers Communications Inc., Cognos Inc., and several publicly traded investment funds sponsored by Mulvihill Investments. He is a commissioner with the Ontario Securities Commission and also serves as a director of the Canadian Parks and Wilderness Foundation.

M. Ann McCaig (3,4)

Calgary, Alberta
Chair, Environment,
Health and Safety Committee
Director since 1995

Ann McCaig is the president of VPI Investments Ltd., a private investment holding company. Ms. McCaig is actively involved with charitable and community activities. She is currently chair of the Alberta Adolescent Recovery Centre, co-chair of the Alberta Children's Hospital Foundation "All for One-All for Kids \$50 million Campaign," and a trustee of the Killam Estate. She is also chancellor emeritus of the University of Calgary.

Michael W. O'Brien (4)

Canmore, Alberta
Director since 2002

Michael O'Brien is the former executive vice president, Corporate Development and chief financial officer of Suncor, having retired in 2002. Prior to that, Mr. O'Brien was executive vice president of Suncor's wholly owned subsidiary, Suncor Energy Products Inc. (formerly Sunoco Inc.) from 1992 to 2000. Mr. O'Brien also serves on the boards of PrimeWest Energy Inc., Terasen Inc. and Shaw Communications Inc. In addition, he is currently a director and past chair of the Nature Conservancy of Canada.

(1) Audit Committee

(2) Board Policy, Strategy Review and Governance Committee

(3) Human Resources and Compensation Committee

(4) Environment, Health and Safety Committee

Officers

Richard L. George

President and Chief Executive Officer

J. Kenneth Alley

Senior Vice President
and Chief Financial Officer

M. (Mike) Ashar

Executive Vice President,
Refining and Marketing – U.S.A.

David W. Byler

Executive Vice President, Natural Gas
and Renewable Energy

Robert F. Froese

Treasurer

Terrence J. Hopwood

Senior Vice President
and General Counsel

Sue Lee

Senior Vice President, Human
Resources and Communications

Kevin D. Nabholz

Senior Vice President,
Major Projects

Janice B. Odegaard

Vice President, Associate General
Counsel and Corporate Secretary

Thomas L. Ryley

Executive Vice President, Energy
Marketing and Refining – Canada

Steven W. Williams

Executive Vice President,
Oil Sands



The Dow Jones Sustainability Index (DJSI) follows a best-in-class approach comprising the sustainability leaders from each industry. Suncor has been part of the index since the DJSI was launched in 1999.

Imagine  **A Caring Company**

As an Imagine Caring Company, Suncor contributes 1% of its pretax profit to registered charities.

designed and produced by **smith + associates**



Suncor is committed to working in an environmentally responsible manner. The financial section of this annual report is printed on 100% recycled paper containing 35% post-consumer waste and is acid free. Please recycle this annual report.



Box 38, 112 – 4th Avenue S.W. Calgary, Alberta T2P 2V5

tel: (403) 269-8100 fax: (403) 269-6217 info@suncor.com www.suncor.com